MACQUARIE

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2008

March 27, 2009

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EXPLANATORY NOTES

This Annual Information Form is dated March 27, 2009. Except where otherwise indicated, the information contained in this Annual Information Form is stated as at December 31, 2008 and all references to dollar amounts and "$" are to Canadian dollars. Please refer to the "Glossary" in this Annual Information Form for the definitions of certain defined terms. In this Annual Information Form, unless the context otherwise requires, the "Fund" refers to Macquarie Power & Infrastructure Income Fund and the "Manager" refers to Macquarie Power Management Ltd.

Certain of the statements contained in this Annual Information Form are forward-looking and reflect management's expectations regarding the Fund's future growth, results of operations, performance and business based on information currently available to the Fund. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "estimate", "believe" or other similar words. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. The forward-looking statements in this Annual Information Form are based on information currently available and what the Fund currently believes are reasonable assumptions, including the material assumptions for each of the Fund's assets set out in the Fund's 2008 Annual Report under the heading "Outlook" on page 23, as updated in subsequently filed Quarterly Financial Reports of the Fund (such documents are available on SEDAR at www.sedar.com). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include the assumption that the business and economic conditions affecting the Fund's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes and interest rates and that there will be no unplanned material changes to the Fund's facilities, equipment and contractual arrangements. Although the Fund believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including risks related to: power infrastructure (operational performance; PPAs; fuel; contract performance; default under credit agreements; land tenure and related rights; and regulatory regime and permits); social infrastructure (government regulation and funding; LTC home ownership and operation; minority interest in LSCLP; default under LSCLP's 2015 Notes, credit facility and the Counsel Acquisition Facility; and labour relations and cost); and the Fund (changes in federal tax rules for flow-through entities; variability of distributions; geographic concentration and non-diversification; Unitholder liability; dependence on the Manager and potential conflicts of interest; insurance; environmental, health and safety; Unitholder dilution; and nature of Units) (see "Risk Factors"). The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. These forward-looking statements reflect current expectations of the Fund as at the date of this Annual Information Form and speak only as at the date of this Annual Information Form. Except as may be required by applicable law, the Fund does not undertake any obligation to publicly update or revise any forward-looking statements.

The Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that act or any other legislation.

None of the entities noted in this Annual Information Form is an authorized deposit-taking institution for the purposes of the *Banking Act 1959* (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

STRUCTURE OF THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust dated as of March 15, 2004, as amended and restated as of April 16, 2004 and as further amended effective February 21, 2006 (collectively, the "Fund Declaration of Trust").

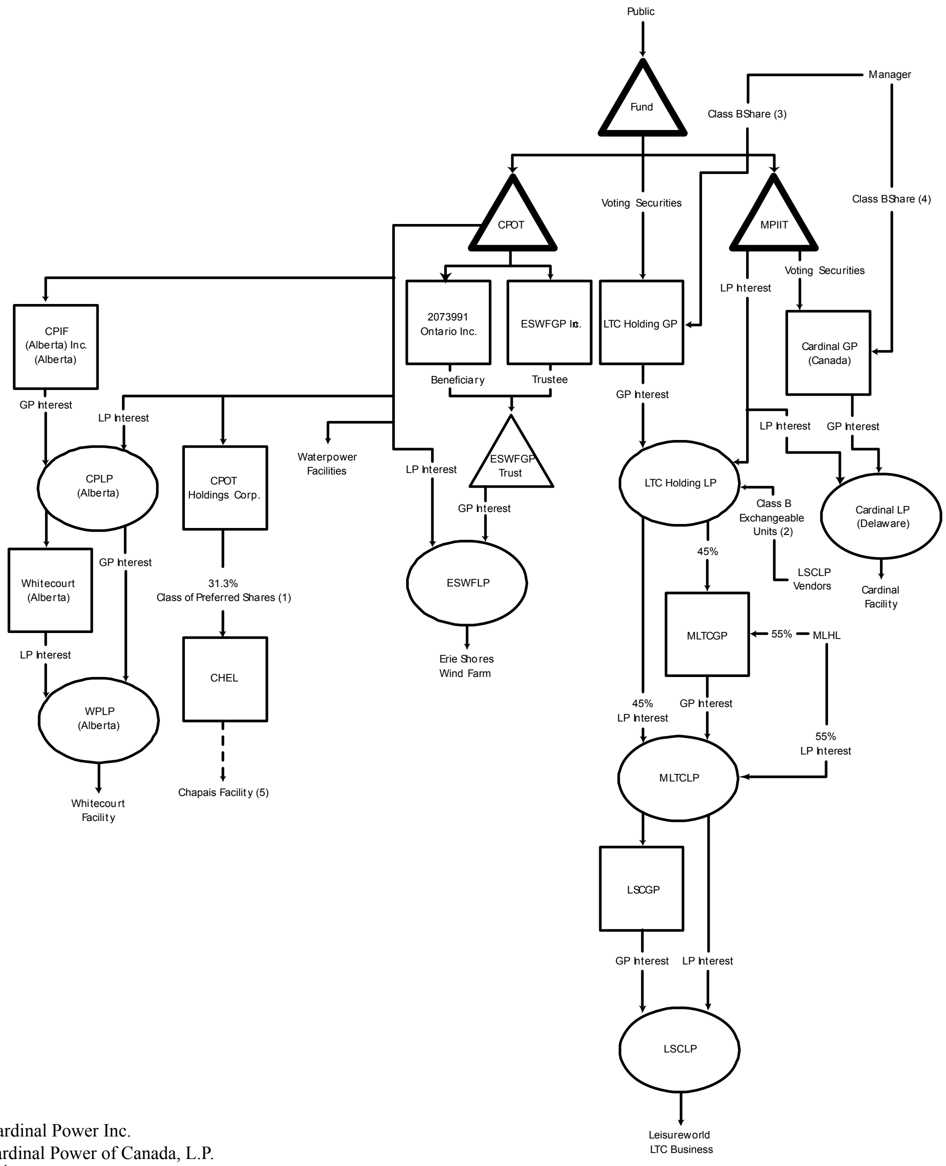
As at March 27, 2009, the Fund's power infrastructure portfolio included investments in gas cogeneration, wind, waterpower and biomass power generation assets, representing in aggregate approximately 350 megawatts ("MW") of installed capacity. The Fund's social infrastructure portfolio consisted of an approximate 45% interest in Leisureworld Senior Care LP ("LSCLP"), which owns and operates long-term care ("LTC") homes and certain related businesses (collectively, the "Leisureworld LTC Business"), and which as at March 27, 2009 included the ownership and management of 26 LTC homes, representing an aggregate of 4,314 LTC beds in the Province of Ontario.

The Fund and Macquarie Power & Infrastructure Income Trust ("MPIIT") are both administered by the Manager pursuant to the administration agreement between the Fund, MPIIT and the Manager dated as of April 30, 2004 and amended as of October 18, 2005 (the "Administration Agreement") (see "Management of the Fund – Administration Agreement"). The Manager also provides certain management services to each of: (a) Cardinal Power of Canada, L.P. ("Cardinal LP") under the management agreement between the Fund, MPIIT, Cardinal LP and the Manager dated as of April 30, 2004 (the "Cardinal LP Management Agreement") (see "Management of the Fund – Cardinal LP Management Agreement"); (b) MPT LTC Holding LP ("LTC Holding LP") under the management agreement between the Fund, MPIIT, LTC Holding LP and the Manager dated as of October 18, 2005 (the "LTC Holding LP Management Agreement") (see "Management of the Fund – LTC Holding LP Management Agreement"); and (c) Clean Power Operating Trust ("CPOT") under the management agreement between the Fund, CPOT, Clean Power Income Fund ("CPIF") and the Manager dated as of June 26, 2007 (the "CPOT Management Agreement") (see "Management of the Fund – CPOT Management Agreement").

The Manager is an indirect, wholly-owned subsidiary of Macquarie Group Limited, an Australian public company listed on the Australian Stock Exchange.

The Fund's head office and registered office are located at Brookfield Place, 181 Bay Street, Suite 3100, Toronto, ON, M5J 2T3.

The chart below presents a simplified summary of the ownership and organizational structure of the Fund and its material subsidiaries as at March 27, 2009. In the chart below, "GP Interest" denotes a general partnership interest, "LP Interest" denotes a limited partnership interest and, unless otherwise specified, all ownership interests denoted are 100% and all entities were incorporated or organized in Ontario.



Legend:

Cardinal GP = Cardinal Power Inc.
Cardinal LP = Cardinal Power of Canada, L.P.
CHEL = Chapais Électrique Limitée
CPIF (Alberta) Inc. = Clean Power Income Fund (Alberta) Inc.
CPLP = Clean Power Limited Partnership
CPOT = Clean Power Operating Trust
ESWFGP Inc. = Erie Shores Wind Farm General Partner Inc.
ESWFGP Trust = Erie Shores Wind Farm General Partner Trust
ESWFLP = Erie Shores Wind Farm Limited Partnership
Fund = Macquarie Power & Infrastructure Income Fund
LSCGP = Leisureworld Senior Care GP Inc.
LSCLP = Leisureworld Senior Care LP
LSCLP Vendors = Markham Suites Hotel Limited, LECR Inc., and OLTCP Inc., being vendors of certain homes and related businesses acquired by LSCLP
LTC Holding GP = MPT LTC Holding Ltd.
LTC Holding LP = MPT LTC Holding LP
Manager = Macquarie Power Management Ltd.
MLHL = Macquarie Leisureworld Holdings Ltd., an indirect, wholly-owned subsidiary of Macquarie Group Limited
MLTCGP = Macquarie Long Term Care GP Inc.
MLTCLP = Macquarie Long Term Care LP
MPIIT = Macquarie Power & Infrastructure Income Trust
Waterpower Facilities = The Sechelt Facility, the Wawatay Facility, the Dryden Facility and the Hluey Lakes Facility
Whitecourt = Whitecourt Power Corp.
WPLP = Whitecourt Power Limited Partnership

Notes:

(1) CPOT Holdings Corp. owns a 31.3% interest in one of the two classes of preferred shares of CHEL. See "Narrative Description of Business – Power Infrastructure – Chapais Facility".
(2) The Class B Exchangeable Units have economic rights equivalent to those of the Units and, subject to certain conditions, are exchangeable on a one-for-one basis for Units. See "Description of the Fund – Class B Exchangeable Units and Exchange Agreement".
(3) The holder of the one outstanding class B share in the capital of LTC Holding GP has the right to elect two members of the board of directors of LTC Holding GP and is not entitled to receive any dividends on the class B share. The class B share may be redeemed upon the payment of $25 at any time on or after termination of the LTC Holding LP Management Agreement.
(4) The holder of the one outstanding class B share in the capital of Cardinal GP has the right to elect two members of the board of directors of Cardinal GP and is not entitled to receive any dividends on the class B share. The class B share may be redeemed upon the payment of $25 at any time on or after the termination of the Cardinal LP Management Agreement.
(5) The Chapais Facility is owned by the Chapais Énergie, Société En Commandite, the sole general partner of which is CHEL and the limited partners of which are CHEL and a wholly-owned subsidiary of CHEL. See "Narrative Description of the Business – Power Infrastructure – Chapais Facility".

GENERAL DEVELOPMENT OF THE BUSINESS

On April 30, 2004, the Fund completed its initial public offering (the "Initial Public Offering") and applied the net proceeds to indirectly subscribe for the entire partnership interest of Cardinal LP.

On October 18, 2005, the Fund acquired an approximate 45% indirect interest in LSCLP. An indirect, wholly-owned subsidiary of Macquarie Group Limited acquired the remaining approximate 55% interest in LSCLP. The economic benefit of Macquarie Group Limited's indirect ownership in LSCLP has been transferred to Macquarie International Infrastructure Fund Limited ("MIIFL"), a Singapore-listed infrastructure fund managed by an indirect wholly-owned subsidiary of Macquarie Group Limited.

On February 21, 2006, the Fund changed its name from "Macquarie Power Income Fund" to "Macquarie Power & Infrastructure Income Fund" to more accurately reflect the nature of the Fund's investments.

On June 26, 2007, the Fund completed the take-over bid and related transactions whereby it acquired CPIF (the "CPIF Acquisition"). On that date, the Fund paid for the 25,931,644 issued and outstanding trust units of CPIF ("CPIF Units") that were validly deposited and taken up under the Fund's offer to purchase dated May 18, 2007 (the "CPIF Offer"), representing approximately 72% of the then issued and outstanding CPIF Units. Thereafter, pursuant to a subsequent acquisition transaction described in the offer documents mailed by the Fund to holders of CPIF Units in connection with the CPIF Offer (the "CPIF Subsequent Acquisition Transaction"), the Fund acquired substantially all of the assets of CPIF by redeeming all of its then issued and outstanding CPIF Units (except for one CPIF Unit then held by the Fund) in consideration for a redemption price per CPIF Unit equal to the consideration that the Fund paid under the CPIF Offer per CPIF Unit, being 0.5581 of a Unit and one contingency value receipt of the Fund (a "CVR") (see "Description of the Fund – Contingency Value Receipts"). As a result of the completion of the CPIF Subsequent Acquisition Transaction, the outstanding 6.75% convertible debentures that were issued by CPIF (the "Debentures") became obligations of the Fund (see "Description of the Fund – Convertible Debentures").

On June 27, 2007, in connection with the CPIF Acquisition, CPOT entered into a credit agreement (as amended on February 14, 2008, the "CPOT Credit Agreement") with MPIIT and Whitecourt Power Corp. ("Whitecourt") as guarantors, a Canadian chartered bank as administration agent and lender, and another Canadian chartered bank as syndication agent and lender, providing for a credit facility in the aggregate principal amount of $150 million (see "Material Contracts – CPOT Credit Agreement"). As at December 31, 2008, an aggregate amount of $75 million had been advanced under the CPOT Credit Agreement.

On December 7, 2007, Caithness Western Wind Holdings, LLC prepaid a subordinated debt (the "U.S. Wind Loan"), which had been indirectly acquired by the Fund in connection with the CPIF Acquisition, for total proceeds of US$22 million. Prior to its prepayment, the U.S. Wind Loan had been supported by cash flows generated from six wind power facilities located in the United States.

On January 31, 2008, LSCLP completed an acquisition of a portfolio of seven LTC homes, representing 1,127 beds, from a wholly-owned subsidiary of Counsel Corporation for approximately $67 million plus transaction and anticipated refurbishment costs (the "Counsel Acquisition") (see "Narrative Description of the Business – Social Infrastructure – Leisureworld Homes" and "Narrative Description of the Business – Social Infrastructure – Counsel Acquisition Facility").

The Fund intends to continue to evaluate and pursue growth opportunities that complement the cash profile of its investments, extend the average life of the Fund's portfolio of investments and deliver attractive total return in accordance with the Fund Acquisition and Investment Guidelines (see "Narrative Description of the Business – Acquisition and Investment Guidelines"). These opportunities could include additional power infrastructure investments and consolidation in the power income fund sector, electricity transmission and distribution, additional LTC investments and investments in other categories of infrastructure, such as water distribution, schools, hospitals and roads, including through public-private partnerships.

NARRATIVE DESCRIPTION OF THE BUSINESS

Fund Objective and Strategy

The Fund's objective is to produce growing and sustainable levels of cash for distributions to Unitholders on a monthly basis. To do so, the Fund's strategy is to (a) pursue additional investments and other direct and indirect rights in infrastructure projects with an emphasis on power infrastructure and such other businesses or activities as may be approved from time to time by a majority of the Trustees independent of the Manager, including investments and other direct and indirect rights in other forms of energy-related projects and utility projects (see "– Acquisition and Investment Guidelines") and (b) improve the profitability of the existing investments of the Fund. While the Fund focuses on making additional investments in and acquisitions of operating power generation facilities, the Trustees are aware that potentially attractive investment and acquisition opportunities may emerge in the broader infrastructure sector and intend to pursue such opportunities as they arise (see "Management of the Fund – Non-Exclusivity and Rights of First Offer" and "Conflicts of Interest").

Acquisition and Investment Guidelines

The Fund Declaration of Trust provides that additional investments or acquisitions by the Fund, other than in connection with an internal reorganization, must comply with the following guidelines (the "Fund Acquisition and Investment Guidelines"). Such investments or acquisitions may be financed by the issuance of Units, the issuance of other securities of the Fund, from the Fund's cash on hand or through indebtedness. It is expected that any future acquisition or investment will be made by the Fund through one or more of its direct or indirect subsidiaries.

- Each acquisition or investment will be made only if the Fund believes that the acquisition or investment will result in an increase in Distributable Cash per Unit.

- Each acquisition or investment will have been reviewed and approved by the Trustees who are independent of the Manager.

- In the case of an acquisition of or investment in operating power generation facilities, facilities with long-term PPAs with major electrical utilities or industrial users will be preferred and, for facilities without such agreements, free market electricity price assumptions used in acquisition or investment evaluations will be obtained from a recognized independent source.

- In the case of an acquisition of or investment in an operating power generation facility, the acquisition or investment will be subject to prior due diligence and based on an independent engineer's report confirming the condition or development of the facility and the technical assumptions used in the acquisition or investment evaluation.

- In the case of an acquisition of or investment in an operating power generation facility, the expected useful life of the facility and associated structures will, with regular maintenance and upkeep, be long enough for an investment therein to conform with the Fund's objective of providing stable long-term distributions of Distributable Cash to Unitholders.

- In the case of acquisitions or investments other than an acquisition of or investment in an operating power generation facility, the terms and conditions upon which such acquisitions or investments will be made will be determined on a case-by-case basis by the Trustees who are independent of the Manager.

- An acquisition or investment will not be made if it would result in the Fund losing its status as either a "unit trust" or "mutual fund trust" under the *Income Tax Act* (Canada) (the "Tax Act").

Operating Segments

The principal operating segments of the Fund are power infrastructure and social infrastructure. Revenue earned by the Fund for each segment is reported in the following table:

($000s)	Year Ended December 31, 2008			Year Ended December 31, 2007		
	Power	Social	Total	Power	Social	Total
Revenue	$150,423(1)	-2)	$150,423	$122,811(3)	- (4)	$122,811

Notes:

(1) In addition, the Fund earned: (i) aggregate interest income of $793 relating to the CHESEC Tranche A Senior Debt and (ii) $156 pro rata share of equity-accounted income for the Fund's investment in CHEL, which is accounted for as an equity investment.

(2) Does not include $62 pro rata share of equity-accounted loss for the Fund's investment in LSCLP, which is accounted for as an equity investment.

(3) In addition, the Fund earned: (i) aggregate interest income of $1,368 relating to the U.S. Wind Loan, the CHESEC Tranche A Senior Debt and the CHESEC Tranche B Senior Debt; and (ii) $5,380 gain on prepayment of the U.S. Wind Loan; offset by $156 pro rata share of equity-accounted loss for the Fund's investment in CHEL, which is accounted for as an equity investment.

(4) Does not include $1,286 pro rata share of equity-accounted loss for the Fund's investment in LSCLP, which is accounted for as an equity investment.

Power Infrastructure

The Fund indirectly holds investments in the following power infrastructure facilities:

Facility	Size(1) (MW)	Location	Employees	Percentage Ownership	Power Purchaser	Expiry of PPA
Gas Cogeneration						
Cardinal	156.00	Ontario	18	100%	Ontario Electricity Financial Corporation	2014(2)
Wind						
Erie Shores	99.00(3)	Ontario	3	100%	Ontario Power Authority	2026
Waterpower						
Sechelt	16.00	British Columbia	-	100%	British Columbia Hydro and Power Authority	2017
Hluey Lakes	3.00	British Columbia	-	100%	British Columbia Hydro and Power Authority	2020
Wawatay	13.50	Ontario	-	100%	Ontario Electricity Financial Corporation	2042
Dryden	3.25	Ontario	-	100%	Ontario Electricity Financial Corporation	2020
Biomass						
Whitecourt	28.00	Alberta	33	100%	TransAlta Utilities Corp.(4)	2014
Chapais	31.00	Québec	(5)	(5)	Hydro-Québec	2015
Total MW	**349.75 MW**					

Notes:

(1) Gross capacity of facility.

(2) The initial 20-year term of the Cardinal PPA ends on November 21, 2014. After the expiry of the original term of 20 years either party to the PPA may at any time, with at least one year's written notice to the other, terminate the PPA.

(3) One of the 1.5 MW wind turbines located at the Erie Shores Wind Farm is not owned by ESWFLP (see "– Erie Shores Wind Farm – Overview").

(4) The benefits and obligations of the Whitecourt PPA flow-through to the Balancing Pool (see "– Power Infrastructure Industry – Regulatory Environment – Alberta").

(5) The Fund's investment in the Chapais Facility consists of the CHESEC Tranche A Senior Debt, the CHESEC Tranche B Senior Debt and other subordinated debt of CHESEC as well as a 31.3% interest in one of the two outstanding classes of preferred shares of CHEL (see "– Chapais Facility – Fund's Investment").

The Cardinal Facility

Overview

The Cardinal Facility is a combined cycle cogeneration facility fuelled by natural gas with a net rated capacity of 156 MW of electrical power located in Cardinal, Ontario. The Cardinal Facility is directly interconnected to Hydro One's transmission system and supplies electricity to the Hydro One grid on a continuous basis, except for planned and unplanned downtime.

The Cardinal Facility's main building houses the combustion turbine and generator, the heat recovery steam generator, the steam turbine and generator, the office and the control and electrical rooms. Power generation is achieved using a Westinghouse combustion turbine generator operating in combined cycle with a Westinghouse steam turbine. The combustion turbine generator produces a nominal 110 MW of electrical power. Hot gas leaving the combustion turbine passes through a heat recovery steam generator where steam is produced to drive a steam turbine. The steam turbine drives a generator that produces a nominal 50 MW of electrical power. Steam is extracted from the steam turbine to supply process steam to the Canada Starch Operating Company Inc. ("CASCO") plant located adjacent to the facility (see "– Cogeneration" and "– Land Tenure"). A small portion of the low pressure steam passes through a heat exchanger to provide space heating for an elementary school which is also located adjacent to the facility. The combustion turbine generator and steam turbine generator are operated to produce gross facility output of approximately 160 MW with 156 MW of net power output after in-plant consumption. Electricity is generated by the Cardinal Facility at 13.8 kV and stepped up to 115 kV by two main step-up transformers.

Cardinal Power Purchase Agreement

The electricity generated by the Cardinal Facility (less the amount consumed in its operations) is sold exclusively to Ontario Electricity Financial Corporation ("OEFC") at contracted rates under the PPA (the "Cardinal PPA") made on May 29, 1992 between Ontario Hydro (continued as OEFC) and Cardinal LP. In fiscal 2008, approximately 99% of the Cardinal Facility's revenues were derived from the sale of electricity to OEFC.

OEFC is an agent of the Government of Ontario and, accordingly, obligations of OEFC under the Cardinal PPA are obligations of the Government of Ontario. The initial 20-year term of the Cardinal PPA ends on November 21, 2014. After the expiry of the original term of 20 years, either party to the Cardinal PPA may at any time, with at least one year's written notice to the other, terminate the Cardinal PPA. The Cardinal PPA also contains operating standards and procedures and early termination provisions as are customary for non-utility power generator PPAs.

Under the Cardinal PPA, OEFC is obligated to make monthly payments for the electricity that is delivered by the Cardinal Facility. During the past three years, more of the Cardinal Facility's revenues were generated during the winter season (October through March, inclusive) than during the summer season (April through September, inclusive). This can be attributed primarily to the fact that higher rates are paid by OEFC for electricity delivered during the winter than during the summer and that lower ambient temperatures enable the Cardinal Facility's combustion turbine to reach its peak output and thus produce more electricity. In addition, subject to certain exceptions, where the Cardinal Facility delivers between 80% and 100% of its monthly target quantity (the "Target Quantities") of electricity to be delivered between the weekday hours of 7:00 a.m. to 11:00 p.m. (the "On-peak Hours"), the Cardinal PPA provides for OEFC to make certain additional capacity payments to Cardinal LP.

Payment rates under the Cardinal PPA escalate in accordance with the direct customer rate ("DCR") established by OEFC from time to time, which is designed to recover the fully-delivered cost of uninterruptible power at 100% load factor to customers directly connected to the Ontario transmission system. Monthly payments for electricity delivered are equal to the sum of the amount of electricity delivered each month multiplied separately by each of the Energy "A" and Energy "B" rates. The Energy "A" rate increases each year by the greater of: (i) 4% and (ii) the cumulative percentage increase in the DCR since 1992, being the base year under the Cardinal PPA (the "DCR escalator"). The Energy "B" rate increases each year by the greater of: (i) 0% and (ii) the DCR escalator. Capacity payments are based on the monthly amount of energy delivered during On-peak Hours, to a maximum of the Target Quantities and increase each year by the greater of: (i) 0% and (ii) the DCR escalator. The provisions of both the Cardinal PPA and the Cardinal GPA (described below) provide for fuel commodity cost protection through the alignment of rate escalators on both the revenue side (under the Cardinal PPA) and the cost side (under the Cardinal GPA). Under the Cardinal GPA, the commodity gas price increases each year by the greater of: (i) 2% and (ii) the previous year's DCR escalator while, as noted above, the Energy "A" rate increases at the greater (i) 4% and (ii) the DCR escalator (see "– Gas Purchase Agreement").

Upon the expiration or termination of the Cardinal PPA, assuming the current structure of the Ontario power industry, Cardinal LP would have four primary options: (i) bid electricity it produces into the Independent Electricity System Operator ("IESO")-administered market and receive the market price; (ii) enter into a bilateral power purchase contract with another counterparty to sell electricity at a negotiated price; (iii) a combination of (i) and (ii); or (iv) renegotiate a revised PPA. The attractiveness of one option over another will depend upon the relationship between short-term and long-term electricity prices in Ontario at the time.

Cogeneration

Up to a maximum of 723 million pounds per year of the steam generated by the Cardinal Facility is sold to CASCO for its plant operations under the terms of an energy savings agreement between Cardinal LP and CASCO dated to be effective as of September 3, 1992 (the "Cardinal Energy Savings Agreement"). The Cardinal Energy Savings Agreement matures on January 31, 2015, but may be extended by up to two years at the option of Cardinal LP. In fiscal 2008, steam sale revenues represented approximately one percent of the Cardinal Facility's revenues. Cardinal LP is also subject to an ongoing commitment to supply an immaterial amount of steam to meet the circulating hot water heating requirements of an adjacent elementary school.

As is typical with cogeneration plants, the Cardinal Facility has a low heat-to-electricity ratio and produces significantly more electricity than steam for sale. By producing electricity and steam simultaneously, cogeneration converts a higher proportion of the fuel's energy content into useful energy output compared to both electrical and thermal energy that is generated separately, which produces significant fuel savings over non-cogeneration technologies. Cogeneration systems predominantly use natural gas, a fuel source that emits less than half the greenhouse gas ("GHG") per unit of energy produced than the cleanest available thermal power station. Natural gas combustion results in virtually no atmospheric emissions of sulphur dioxide or small particulate matter and far lower emissions of carbon monoxide, oxides of nitrogen ("NOx") and other GHGs, such as reactive hydrocarbons and carbon dioxide ("CO_2"), than the combustion of other fossil fuels.

Cardinal Gas Purchase Agreement

Cardinal LP purchases the natural gas to operate the Cardinal Facility from Husky Energy Marketing Inc. ("Husky Marketing") under the Cardinal GPA. Under the Cardinal GPA, Cardinal LP is able to curtail the production of electricity at the Cardinal Facility within certain parameters and through the Cardinal Gas Mitigation Agreement (described below) sell the gas that would otherwise have been used to generate electricity. Cardinal LP avails itself of this option on occasion when additional net income can be realized from this operating strategy. To mitigate the effect of price fluctuations on the net proceeds from the sale of any excess natural gas under the Cardinal Gas Mitigation Agreement, Cardinal LP entered into the Cardinal Gas Swap Agreements.

The Cardinal GPA was originally entered into with Husky Oil Operations Ltd. and was subsequently assigned to Husky Marketing by means of an assignment and novation agreement dated as of December 15, 2001. The obligations of Husky Marketing under the agreement are guaranteed by its parent company, Husky Energy Inc. This agreement provides that Cardinal LP is required to purchase a minimum of 9,289,104 MMBtu of natural gas each year (the "Minimum Volume"), equivalent to 80% of the contract maximum, subject to financial compensation to Husky Marketing for any shortfall. Cardinal LP is prohibited from purchasing natural gas for the Cardinal Facility from any other party for the term of the Cardinal GPA, which expires on May 1, 2015, unless Husky Marketing fails to deliver in accordance with the terms thereof. The price of natural gas delivered under the Cardinal GPA is tied to the DCR, with a guaranteed minimum 2% per annum escalator. The Cardinal GPA does not entitle the gas supplier to renegotiate or arbitrate the price payable under the Cardinal GPA.

The November 1, 1994 amendment to the Cardinal GPA, as subsequently amended effective January 31, 2009 (the "Cardinal Gas Mitigation Agreement") permits Cardinal LP and Husky Marketing to sell certain amounts of gas in excess of that required by the Cardinal Facility. The proceeds from sales under the Cardinal Gas Mitigation Agreement are shared based on a formula which provides that Husky Marketing first receives payment for the variable costs at delivery and other adjustments. Husky Marketing receives an additional marketing fee prior to Cardinal LP receiving an amount equal to the total fixed costs of delivery. This amount effectively represents a reimbursement for transportation costs otherwise paid by Cardinal LP. To the extent there are any remaining proceeds, such proceeds are apportioned on an approximate 25%/75% basis between Husky Marketing and Cardinal LP (prior to the January 31, 2009 amendment, proceeds were shared on an approximate 55%/45% basis). In addition, under the Cardinal PPA, OEFC may, subject to certain limits, in each year during 600 summer off-peak hours, limit its acceptance of electricity to 80% of the average output for the month in which such curtailment takes place. The gas that would, if not for this curtailment, be used to generate electricity may be sold under the terms of the Cardinal Gas Mitigation Agreement. As well, Cardinal LP may elect to curtail electricity production and sell gas under the Cardinal Gas Mitigation Agreement. The Cardinal Facility has availed itself of this option on occasion when the market price of gas reached levels that allowed the generation of additional net income.

Husky Marketing provides for the transportation of the natural gas purchased under the Cardinal GPA from Husky Oil Operations Ltd.'s reserves in the Province of Alberta to the interconnection with Union Gas Limited ("Union") near Cardinal, Ontario. Cardinal LP reimburses Husky Marketing for the demand charges and commodity charges it incurs with respect to such transportation. Cardinal LP and Union are parties to an agreement providing for the transportation of natural gas from Union's interconnect to the Cardinal Facility.

Land Tenure

The land underlying the Cardinal Facility is leased from CASCO for a nominal amount. The initial term of the Cardinal Lease expires on January 31, 2015, but may be extended by up to two years at the option of Cardinal LP and runs concurrently with the Cardinal Energy Savings Agreement. In certain circumstances, Cardinal LP may continue the term of the Cardinal Lease until a date no later than December 31, 2020. In no event can the term of the Cardinal Lease extend beyond December 31, 2030. At the expiration of the term of the Cardinal Lease, Cardinal LP is responsible for dismantling and removing all improvements on the leased land and restoring the leased land to its condition prior to the commencement of the term of the Cardinal Lease and Cardinal LP is specifically liable for all costs related to remedial action that would need to be taken in order for hazardous substances, if any, to be removed so that the leased land complies with applicable Environmental, Health and Safety Laws (described below).

Cardinal Credit Agreement

The Cardinal Credit Agreement is comprised of: (a) a $35 million non-revolving term loan facility (the "Cardinal Term Facility"), which matures on May 16, 2011 and which was fully drawn at closing of the Initial Public Offering; and (b) a separate $15 million revolving credit facility (the "Cardinal Revolving Facility"), which may be used to fund working capital, permitted capital expenditures and, in certain circumstances, up to a maximum amount of $10 million outstanding at any one time, to fund distributions to Unitholders (collectively the "Cardinal Credit Facility"). No amounts have been drawn under the Cardinal Revolving Facility in 2005, 2006, 2007 or 2008 (except for approximately $2 million in letters of credit issued in 2008 for the purpose of funding certain reserves at the Erie Shores Wind Farm). The Cardinal Term Facility must be permanently repaid using the net proceeds from all issues of debt (other than the Cardinal Revolving Facility or permitted capital leases) and/or the net proceeds from asset dispositions by Cardinal LP in the amount of $250,000 or more in aggregate over the term of the Cardinal Term Facility. As at December 31, 2008, $35 million was outstanding under the Cardinal Term Facility and no amounts were outstanding under Cardinal Revolving Facility, although the Fund has committed to two standby letters of credit totalling approximately $2 million, which were issued during 2008.

Advances under the Cardinal Credit Agreement are made in the form of banker's acceptance instruments ("BAs"). Interest is charged at the BA rate plus a stamping fee based on Cardinal LP's ratio of consolidated total debt to consolidated earnings before interest, income taxes, depreciation and amortization, and unrealized gains and losses. The Cardinal Credit Agreement provides for customary representations and warranties, covenants (including financial covenants and financial ratios) and events of default. Cardinal LP has interest rate swap contracts in place to mitigate its interest rate risk on the amount outstanding under the Cardinal Term Facility until maturity.

The obligations of Cardinal LP under the Cardinal Credit Agreement are secured by a first-ranking lien on all present and future assets, undertakings and agreements of Cardinal LP. In addition, a guarantee has been provided by Cardinal Power Inc. ("Cardinal GP"), the general partner of Cardinal LP, supported by first-ranking liens on all present and future assets of such guarantor. Indebtedness owing under the Cardinal Credit Agreement ranks senior to any other indebtedness of Cardinal LP and the guarantor.

Major Maintenance

The Cardinal Facility operates on a scheduled rolling six-year maintenance cycle as follows:

Year	Type of Maintenance	Typical Duration of Outage
2008	Combustion inspection	120 hours
2009	Hot gas path inspection	288 hours
2010	Combustion inspection	120 hours
2011	Combustion inspection	120 hours
2012	Major maintenance	576 hours
2013	Combustion inspection	120 hours

In the second quarter of 2008, the Cardinal Facility was shut down for a period of 93 hours (27 hours ahead of schedule) for the planned combustion inspection. The Cardinal Facility is scheduled to complete a hot gas path inspection during the second quarter of 2009, which typically requires a 288-hour (12 day) outage.

Erie Shores Wind Farm

Overview

The Erie Shores Wind Farm is located near Port Burwell, Ontario. The Erie Shores Wind Farm consists of 66 GE SLE1.5 wind turbines that achieved commercial operation under the Erie Shores PPA in May 2006 (see "– Erie Shores Power Purchase Agreement"). The wind turbines each have a capacity of 1.5 MW and were supplied by General Electric Company ("GE") and General Electric Canada ("GE Canada") pursuant to a turbine supply agreement ("Erie Shores Turbine Supply Agreement"). Erie Shores Wind Farm has a total capacity of 99 MW. One of the GE SLE1.5 wind turbines located at the Erie Shores Wind Farm is owned by a local land owner who hosts a number of the facility's other wind turbines. Erie Shores Wind Farm maintains operational and managerial control of this additional wind turbine and, on an annual basis, the land owner is entitled to receive the revenue generated by his wind turbine less one sixty-sixth of all operating and maintenance expenses of all 66 wind turbines making up the facility as a whole, not including property taxes, land leases and interest expense.

Each wind turbine at the facility contains an on-board microprocessor controller which monitors and controls the operation of the individual wind turbine. The facility also includes a wind farm management system to manage the operation of the 66 wind turbines. The facility is equipped with a Supervisory Control and Data Acquisition system ("SCADA"). The SCADA system collects and stores operational and generation data from the wind turbines and allows remote supervision and operations of the individual wind turbines. The SCADA system is designed to monitor and record the performance of the wind turbines and the facility as a whole and provides detailed operating and performance information for reporting purposes.

The electricity generated by the facility's wind turbines is collected and delivered by above-ground and underground collection lines. The power collection system consists of individual power cables that run from each wind turbine to pad-mount transformers located adjacent to each wind turbine, which increase the voltage of the electricity to the required level for collection. Underground cables then deliver the electricity from the pad-mount transformers to the overhead collection system. A system of above-ground 34.5 kV collection lines then delivers the power to the Port Burwell substation where it is stepped up to transmission voltage of 115 kV for delivery by way of a 29 kilometre connection line to the Ontario transmission grid.

GE and GE Canada have provided to Erie Shores Wind Farm a four-year parts, labour, maintenance, availability and performance warranty, which began on July 26, 2006. The warranty includes a direct revenue reimbursement provision which compensates the facility for lost revenue under the Erie Shores PPA should the wind turbines not reach the average warranted threshold for availability and performance of 97%. Should a part fail, GE must replace or repair the faulty equipment such that the wind turbine complies with the 20-year design certification.

Erie Shores O&M Agreement

Under an agreement between Erie Shores Wind Farm Limited Partnership ("ESWFLP") and GE Canada dated June 28, 2005 (the "Erie Shores O&M Agreement"), GE Canada provides operation and maintenance services for the Erie Shores Wind Farm (including the one wind turbine not owned by ESWFLP). The Erie Shores O&M Agreement has a term which is to expire no later than July 25, 2010 and it does not contain a renewal provision. GE Canada also provides an additional warranty against defects in materials and workmanship, breakage of parts or failure of parts to perform on services, parts, non-warranty work and labour associated with such work for 12 months following the completion of the work. GE Canada's sole obligation under this additional warranty is to re-perform the services or repair and such warranty obligations will cease 12 months after the termination or expiration of the Erie Shores O&M Agreement.

GE Canada is entitled to a fee of $42,000 per wind turbine per year (adjusted annually based on changes to the Canadian Consumer Price Index) for providing services under the Erie Shores O&M Agreement. In addition, GE Canada is entitled to receive a bonus equal to 50% of the incremental revenue received by ESWFLP in each successive 12-month period starting from July 26, 2006 where the average availability of the wind turbines exceeds 98%. Also, for work performed by GE Canada that is not covered under the Erie Shores O&M Agreement or any warranty provided by GE Canada in respect of the facility, ESWFLP is required to reimburse GE Canada for labour, parts, materials and all other expenses, subject to applicable discounts and fees.

Both ESWFLP and GE Canada may terminate the Erie Shores O&M Agreement for certain events of default by the other party. The events of default that give rise to the right to terminate include the levy, seizure, assignment or sale for or by any creditor or governmental agency that affects the party's ability to perform under the agreement other than by financial institutions which provide financing for the Erie Shores Wind Farm or which are a party to such financing.

The Erie Shores O&M Agreement provides for the indemnification of each party by the other party in certain circumstances. GE Canada's liability arising from the agreement is limited to the fee paid to GE Canada during the 12-month period immediately preceding the termination or expiration of the agreement. Except in circumstances where GE Canada is at fault or negligent, or where GE Canada is obligated to indemnify ESWFLP or maintain insurance coverage, ESWFLP bears all risk of loss or damage to the Erie Shores Wind Farm. All liability under the agreement terminates one year after the end of the agreement, except for payments due in respect of claims that were made prior to such time. Where the Erie Shores Wind Farm is modified in a manner that has a material effect on health or safety or increases any environmental risk, the agreement may be amended to redress the material effects of such modification to the reasonable satisfaction of GE Canada. The agreement contains other standard representations and warranties. ESWFLP has assigned and provided a security interest in the Erie Shores O&M Agreement in favour of the lenders under the Erie Shores Credit Agreement with the consent of GE Canada.

Erie Shores Power Purchase Agreement

ESWFLP is a party to a Renewable Energy Supply Contract (the "Erie Shores PPA") with OEFC which provides for the sale of all of the energy generated by the Erie Shores Wind Farm. The Erie Shores PPA was assigned by OEFC to the Ontario Power Authority ("OPA") on November 10, 2005 and terminates on May 24, 2026.

Electricity sales by the Erie Shores Wind Farm under the Erie Shores PPA commenced in May 2006. The Erie Shores PPA contains specific fixed rates for each year of operation from the date of commissioning of the facility. The fixed rates are comprised of two components: (a) 85% of the rate originally awarded under the Erie Shores PPA is fixed for the term of the Erie Shores PPA; and (b) the remaining 15% of the original rate awarded is adjusted annually for inflation every January 1. The Erie Shores PPA contains no minimum or maximum power delivery obligation and has standard force majeure and termination provisions.

In addition, eligible production from the Erie Shores Wind Farm is eligible to receive WPPI payments of $10 per MW per hour for the first 10 years of production (see "– Power Infrastructure Industry – Regulatory Environment – Federal Wind Power Production Incentive").

Land Tenure

ESWFLP has acquired the right to use, operate, maintain and access the facility site by means of: ownership of the substation lands; easements relating to the land on which the wind turbines are located; and other transmission and access easements.

Erie Shores Credit Agreement

On June 28, 2005, ESWFLP, Erie Shores Wind Farm General Partner Trust, Sun Life Assurance Company of Canada ("Sun Life"), as agent for the lenders, and certain lenders entered into a credit agreement (the "Erie Shores Credit Agreement") for $120 million of non-recourse project financing for the construction of the Erie Shores Wind Farm. As at December 31, 2008, ESWFLP owed the following amounts under the Erie Shores Credit Agreement: (i) $66.9 million fully amortizing tranche A debt which bears interest at a rate of 5.96% per annum, payable quarterly with a maturity date of April 1, 2026; (ii) $6.2 million fully amortizing tranche B debt which bears interest at a rate of 5.28% per annum, payable quarterly with a maturity date of April 1, 2016; and (iii) $40 million interest-only tranche C debt which bears interest at a rate of 5.05% per annum, payable quarterly with a maturity date of April 1, 2011. ESWFLP's obligations under the Erie Shores Credit Agreement are secured by the property of ESWFLP. CPOT has provided an unsecured guarantee to Sun Life in the amount of $10 million for the tranche C loan and the guarantee may be reduced by an amount equal to 75% of any release from the escrow accounts established upon the disposition of GRS which occurred prior to the CPIF Acquisition. In conjunction with the Erie Shores Credit Agreement, CPOT also provided a limited recourse guarantee in favour of Sun Life where CPOT provided as collateral and pledged to Sun Life its direct and indirect ownership interest in ESWFLP. The Erie Shores Credit Agreement provides standard representations and warranties, covenants (including financial covenants and financial ratios) and events of default.

Sechelt Facility

Overview

The Sechelt Facility is a run-of-the-river facility located on Sechelt Creek, approximately 30 kilometres northeast of Sechelt, British Columbia. The Sechelt Facility has an installed capacity of 16 MW and commercial operation began in March 1997. Electricity from the facility is delivered through a 300 metre transmission line to BC Hydro's grid. Regional Power operates the Sechelt Facility pursuant to the Waterpower O&M Agreement (see "– Maintenance of Waterpower Facilities and Waterpower O&M Agreement").

The Sechelt Facility has two vertical Pelton turbine/generator sets of eight MW each, a gross operating head of 343 metres and is designed to use a flow of up to six cubic metres per second. Two intake structures collect water in a small headpond which feeds a buried low pressure steel penstock. The low pressure penstock merges into a buried high pressure steel penstock which carries the water to the powerhouse where a bifurcation distributes the water to the turbine/generators. The water is then returned to Sechelt Creek through the tailrace. The watershed above the intake structures drain an area of the Coast Mountains of approximately 67 square kilometres.

Sechelt Power Purchase Agreement

The sale of power from the Sechelt Facility to BC Hydro is governed by a PPA dated August 31, 1990 (the "Sechelt PPA"). The Sechelt PPA has an initial term of 20 years from the commercial operation date, which was March 1, 1997. Following the initial term, the Sechelt PPA will continue in force from year to year unless otherwise terminated upon six months' notice by either party. BC Hydro has agreed to purchase all power produced by the Sechelt Facility. Under the Sechelt PPA, the Sechelt Facility is required to make available to BC Hydro not less than 57 gigawatt hours per year. The Sechelt Facility has met this requirement every year since commissioning.

Under the Sechelt PPA, BC Hydro pays monthly for the electricity delivered under the agreement. The price is increased on April 1 of each year by three percent over the prior year. In addition, BC Hydro will pay in excess of the three percent annual increase for any extraordinary incremental costs reasonably and properly incurred by the Sechelt Facility that arise as a result of extraordinary changes to government policy, law and regulation or BC Hydro's established quality requirements for electricity made available by the Sechelt Facility. The Sechelt Facility is required to provide a credit to BC Hydro if any costs are reduced as a result of extraordinary changes in government policy, law and regulation.

The electricity made available to BC Hydro must conform to BC Hydro's established quality requirements and BC Hydro may refuse to accept deliveries of electricity that do not conform to these requirements. If a disconnection occurs under these requirements and the Sechelt Facility does not take corrective action so that it is in compliance with these requirements within six months, BC Hydro may terminate the Sechelt PPA. Routine and emergency operating procedures for the Sechelt Facility are established through an agreement with BC Hydro, including local operating orders that set forth requirements to be met to allow the interconnection of the Sechelt Facility to BC Hydro's system. The respective obligations of the parties to the Sechelt PPA are suspended if a forced outage occurs. A "forced outage" is defined as an exceptional situation which prevents either party from performing as required by the Sechelt PPA and which could not be reasonably anticipated or protected against and is beyond the reasonable control of the party claiming that a forced outage has occurred. If a forced outage of the Sechelt Facility continues for more than 18 months, then either party may terminate the Sechelt PPA without notice. Forced outages attributable to BC Hydro require BC Hydro to pay for power not taken if the outage has not been corrected within 24 hours.

Land Tenure and Water Rights

The land rights in respect of the Sechelt Facility (including land underlying the intake structures, the powerhouse, penstock and the tailrace) are held pursuant to two leases with the Province of British Columbia each dated October 10, 1995 as well as a statutory right of way dated April 17, 2001. The leases each have a term of 30 years. Rights to the water used by the Sechelt Facility are governed by conditional water licences dated July 19, 1994 and August 11, 1995 granted by the British Columbia Office of the Comptroller of Water Rights. Each of these conditional water licences is appurtenant to the lease relating to the powerhouse. A permit issued by the Comptroller authorizes the occupation of Crown land for a dam site at, and the flooding of, Sechelt Lake.

Access to the Sechelt Facility is governed by an agreement dated April 1, 1995 with Canadian Forest Products Ltd. (the "Canfor Agreement") that is co-terminus with the leases described above and an agreement dated January 1, 2007 with Canfor (the "Canfor Road SRW") (both such agreements were subsequently assigned to the British Columbia Ministry of Forests and Range) that is co-terminus with the right of way described above. Rights to access the existing roads and to construct additional roads expire on the earlier of the termination of the Sechelt PPA and the termination of the Canfor Agreement and the Canfor Road SRW. The transmission lines from the Sechelt Facility to the BC Hydro interconnection point are secured by a statutory right of way that expires on the termination of the Sechelt PPA.

Hluey Lakes Facility

Overview

The Hluey Lakes Facility is a waterpower facility with an installed capacity of three MW located in northwestern British Columbia, approximately 20 kilometres southwest of the town of Dease Lake. Electrical power generated by the Hluey Lakes Facility is sold to BC Hydro for distribution in the community of Dease Lake through a non-integrated distribution system. The Hluey Lakes Facility's commercial operation date was January 15, 2000. Regional Power operates the Hluey Lakes Facility pursuant to the Waterpower O&M Agreement (see "– Maintenance of Waterpower Facilities and Waterpower O&M Agreement").

The Hluey Lakes Facility is located in the Tanzilla River watershed and consists of two dams, a buried high-density polyethylene low pressure penstock ("HDPE Penstock"), a surge shaft, a low pressure penstock, powerhouse and turbine/generator, a tailrace conduit, switchyard, transmission lines and access roads. From the intake dam, water is conveyed by way of the HDPE Penstock to the 14-metre deep surge shaft at the edge of the major elevation drop to the Tanzilla River. From the surge shaft, a low pressure penstock carries the water to the powerhouse. The powerhouse houses a single three MW Pelton turbine/generator and discharges water via the 1.4 kilometre tailrace to the Tanzilla River. From the powerhouse switchyard, power is transmitted by way of a 28 kilometre wood-pole transmission line to the BC Hydro substation at Dease Lake.

Water for the Hluey Lakes Facility is stored by means of a low diversion dam on Tsenaglode Creek, which drains Sitsa and Tuttiduch Lakes into the Tanzilla River, and a low intake dam on Hluey Creek, which drains Hluey Lake into the Tanzilla River. The Tsenaglode diversion dam is an earth filled dam approximately 400 metres long with a maximum height of five metres. The Hluey Lake intake dam is an earth filled dam approximately 436 metres long with a maximum height of 7.5 metres. These dams raise the water levels in the lakes by approximately five metres. Together they provide a single water reservoir for the Hluey Lakes Facility of approximately 4.95 square kilometres. The total watershed covers an area of 135 square kilometres. Overflow type spillways at both dams have their crests at an elevation so that spill is automatic when the reservoir is full and the inflow exceeds the regulated outflow.

The Hluey Lakes Facility must respond immediately to load changes as it is the main source of power generation for the town of Dease Lake. This is accomplished by using a 100 kilowatt load bank, a system designed to provide regulation and load stabilization. As load demand increases, electricity will automatically be diverted from the load bank to the transmission lines, and vice versa. In order to provide power to the load bank, the facility is run to generate slightly more than the expected load with the excess diverted to the load bank.

The Hluey Lakes Facility is responsible for the ongoing maintenance of the transmission line up to the BC Hydro substation in a manner that meets BC Hydro's technical requirements. These requirements include standard terms regarding maintenance, outages, product quality, protection and control, and equipment inspection.

The Hluey Lakes Facility was designed and constructed to meet the demand for energy not only for the town of Dease Lake, but also for any future integration of the nearby towns of Telegraph Creek and Iskut in order to reduce the degree of reliance by these communities on isolated diesel systems. All necessary civil works, including the reservoir, the water conveyance system and powerhouse foundations, are in place for the potential installation of a second turbine/generator in connection with any expansion of the facility. Any contemplated expansion of the Hluey Lakes Facility would require agreement with BC Hydro on the terms and conditions for the sale of additional electricity.

Hluey Lakes Power Purchase Agreement

Under a PPA dated November 1, 1993, as amended, with BC Hydro (the "Hluey Lakes PPA"), BC Hydro is obligated to purchase all energy required to meet the load demand of Dease Lake from the Hluey Lakes Facility until January 31, 2020. The three MW installed capacity of the Hluey Lakes Facility is expected to meet the requirements of the town of Dease Lake until such time.

BC Hydro has the exclusive right to purchase electricity from the Hluey Lakes Facility for an unspecified additional period at a price and on terms and conditions to be negotiated. The exclusive right terminates 18 months before the termination of the Hluey Lakes PPA unless an agreement regarding price, terms and conditions has been entered into by the parties. Under the Hluey Lakes PPA, the Hluey Lakes Facility may also sell power in excess of Dease Lake's load demand to third parties provided that all regulatory approvals have been obtained, the third party customers are not supplied by BC Hydro, the requirements of Dease Lake are first met and the power quality to Dease Lake is not impaired.

The payments by BC Hydro for power from the Hluey Lakes Facility are generally based on the following three components: (i) debt service and return on equity; (ii) operations, maintenance and insurance payments; and (iii) water rental and school and property taxes paid in the prior year. Monthly payments are made based on all three components (as described below) provided that no payments are made on account of debt service and return on equity during failed reliability testing period(s) (as described below).

The monthly payment in respect of each component is equal to the amount which results from dividing (i) a predetermined base value for such component multiplied by the amount of electricity delivered by the Hluey Lakes Facility to BC Hydro in that month, by (ii) 102.5% of the prior year's load demand, assuming a plant availability of 98%. Therefore, if actual demand grows by 2.5% and the plant achieves 98% availability, or demand is flat and the plant achieves 100% availability, the entire revenue is earned. Should demand decrease (increase) in the future, revenues are affected only until the decline (growth) subsides, at which time the year-over-year load demand ratio is 1:1 and the entire revenue is again earned.

In determining the monthly payments under the Hluey Lakes PPA, the operations, maintenance and insurance payments base value escalates based on an index published by Statistics Canada. The water rental and school and property taxes base value is paid on the basis of actual costs incurred by the Hluey Lakes Facility in the prior year. Adjustments are made in the last month of each year for any variations in the formula described above from actual results subject to a maximum downward adjustment of 15% and a maximum upward adjustment of 25%.

The payments to be made by BC Hydro under the Hluey Lakes PPA are subject to further adjustment under the terms of a collateral agreement dated May 23, 1997. Under this agreement, BC Hydro is required to pay only 50% of the price otherwise established under the Hluey Lakes PPA (other than the incremental cost of water rentals, which is paid at full price) for all electricity provided in excess of 102.5% of the prior year's load demand, but not for electricity provided in excess of 125% of the prior year's load demand, for which full prices are payable as described above.

The Hluey Lakes Facility is entitled to up to 10 days of scheduled outages in any 12-month period beginning each November 1st, without incurring payments for incremental costs incurred by BC Hydro's back-up diesel generating station. The Hluey Lakes Facility is required to use its best efforts not to schedule outages during the winter period. If BC Hydro is unable to accept electricity due to an outage at its substation, BC Hydro will pay for any electricity that would have been delivered by the Hluey Lakes Facility. If the Hluey Lakes Facility is unable to deliver electricity, other than during a scheduled outage, then the Hluey Lakes Facility must pay BC Hydro the incremental cost of running its back-up diesel generator. If the total duration of forced outages in a year exceeds 20 hours, or if the total number of forced outages in a year exceeds 15, then the Hluey Lakes Facility will be required to undergo a reliability testing period. BC Hydro will pay the full price for electricity delivered during the reliability testing period(s) except that the portion of the price for debt service and return on equity is not paid for electricity delivered during a failed reliability testing period(s).

Land Tenure and Water Rights

The land and water rights in respect of the Hluey Lakes Facility are held pursuant to: (i) a lease with the Province of British Columbia dated May 29, 2000 with a term of 30 years; (ii) statutory rights of way for the transmission line; and (iii) a conditional water licence dated August 1, 1995. Access to the Hluey Lakes Facility is from a public highway over a road situated on Crown land that is subject to a statutory right of way. The BC Hydro interconnect is located at the substation at Dease Lake and the 28 kilometre transmission line is situated on leased lands and rights of way.

Arrangements with the Tahltan First Nation

The Tahltan First Nation (which is comprised of the Tahltan and Iskut Bands) entered into a non-disturbance agreement dated February 27, 1999 regarding any potential acquisition of jurisdiction through the treaty process to the lands on which the Hluey Lakes Facility is located or to the rights to impose taxes, fees, levies or other monetary charges. Pursuant to this agreement, the Tahltan First Nation has agreed that if it obtains any such jurisdiction, it will treat all leases, permits, licences and renewals with respect to the Hluey Lakes Facility in a manner consistent with the present treatment by the Province of British Columbia.

The Tahltan Nation Development Corporation ("TNDC"), has the right to purchase all or a portion of the Hluey Lakes Facility at fair market value within six months following the maturity of the initial 20-year term of the Hluey Lakes PPA. If the Hluey Lakes Facility is offered for sale anytime after the fifth year of the Hluey Lakes PPA, TNDC has the right for a 90-day period to negotiate the purchase of the Hluey Lakes Facility before it is offered for sale to others.

In addition, TNDC is entitled to a 33% net profit interest in the Fund's net profit from sales of power generated by the Hluey Lakes Facility to industrial customers other than BC Hydro. As of December 31, 2008, there had been no sales to industrial customers other than BC Hydro.

Wawatay Facility

Overview

The Wawatay Facility is a run-of-the-river facility located on the Black River, 30 kilometres east of Marathon, Ontario. Commercial operation of the Wawatay Facility began in 1992. Electricity from the Wawatay Facility is delivered through the facility's six kilometre transmission line which connects into the Hydro One transmission system. The Wawatay Facility is operated by Regional Power pursuant to the Waterpower O&M Agreement (see "– Maintenance of Waterpower Facilities and Waterpower O&M Agreement").

The Wawatay Facility has an installed capacity of 13.5 MW. It has three double horizontal Francis turbine/generator sets of 4.5 MW each, a gross operating head of 48 metres and is designed to use a flow of up to 34.5 cubic metres per second. The intake structure is located upstream from an existing dam on the Black River. Water at the intake flows through a 0.625 kilometre rock tunnel/steel penstock. A trifurcation in the penstock distributes the water to the turbines and the water is then returned to the river through the tailrace built into the bank of the Black River. The drainage area of the Black River is 1,980 square kilometres.

Wawatay Power Purchase Agreement

Power produced by the Wawatay Facility is sold exclusively to OEFC under a PPA dated April 1, 1992 (the "Wawatay PPA") pursuant to which OEFC has committed to purchase all power produced by the facility. The Wawatay PPA has an initial term of 50 years from the commercial in-service date, which was July 2, 1992. Following the initial term, the Wawatay PPA will automatically continue in force for renewal terms of one year each provided that either party may, with at least one year's prior written notice, terminate the Wawatay PPA upon the expiry of the initial term or any renewal term.

The Wawatay PPA has different pricing provisions for power produced during summer and winter as well as for power produced during on-peak and off-peak hours based on an escalation mechanism established by OEFC. Higher rates are paid for electricity sold to OEFC during the winter or during on-peak hours than those for electricity sold during the summer or during off-peak hours. The Wawatay PPA contains pricing provisions designed to ensure that payments by OEFC are sufficient to repay the $20 million original aggregate principal amount term loan by the Fund (as successor lender) to CPOT (as successor borrower) secured by the Wawatay Facility, that matures in July 2012 and bears an interest rate of 9.80% calculated and payable monthly (the "Wawatay Loan") over the term of the

Wawatay Loan, which coincides with the first 20 years of the Wawatay PPA (the "Wawatay Amortization Period"). Payments made by OEFC during the Wawatay Amortization Period are comprised of: (i) a yearly amount (paid in monthly instalments) necessary to fully amortize and pay the Wawatay Loan over the Wawatay Amortization Period (the "Wawatay Guaranteed Payment"); (ii) a monthly payment based upon the actual generation of power up to 120% of target generation multiplied by the performance rate as set out in the Wawatay PPA (the "Wawatay Performance Payment"); and (iii) a monthly payment based on generation in excess of 120% of target generation multiplied by the rate for excess generation as specified from time to time by OEFC.

Neither party under the Wawatay PPA will be held responsible or liable or be deemed in default or breach of the agreement if an event of force majeure prevents it from fulfilling its obligations thereunder. An event of force majeure is defined in the Wawatay PPA as any cause which is unavoidable or beyond a party's reasonable control which wholly or partially prevents the parties or either of them from carrying out the terms of the agreement.

The Wawatay Guaranteed Payments and the Wawatay Performance Payments under the Wawatay PPA during the Wawatay Amortization Period to date have resulted in aggregate payments from OEFC for power at rates higher than OEFC's base rate as set out in the Wawatay PPA. Accumulated payments in excess of the base rate are known as "generator debt" (referred to as "levelization amount" in the consolidated financial statements of the Fund), and are required to be repaid to OEFC by the end of the term of the Wawatay PPA. At the end of the Wawatay Amortization Period it is expected that OEFC will pay for power delivered up to 120% of the target generation at the performance rate. This payment for each month, which is determined by multiplying the power delivered, up to 120% of the target generation by the difference between the base rate and the performance rate, will then be applied from time to time against the outstanding generator debt balance until the generator debt reaches nil or until the end of the Wawatay PPA in 2042. At the time the Wawatay PPA was entered into, it was originally expected that the accumulated generator debt would be fully or partially offset by increases in the DCR, which was the originally contemplated escalation mechanism previously referenced by the Wawatay PPA. However, anticipated increases in the DCR did not occur. In December 2003, a new agreement was reached with OEFC to replace (retroactive to January 1, 2002) the DCR with an escalator based on the year over year change of a number of factors including Ontario energy prices, wholesale market prices, the transmission service charge as well as other components. This agreement established a floor and ceiling range for the escalator and has the effect of increasing the Wawatay Performance Payments received under the Wawatay PPA. Depending on the escalator applied, generator debt could be eliminated before the end of the Wawatay PPA term. As at December 31, 2008, the balance of the generator debt (principal and accrued interest) associated with the Wawatay Facility was $19.6 million. Interest accrues on the generator debt at a variable rate, which currently approximates 7.35%.

OEFC has the right to take a security interest in the Wawatay Facility to secure payment of the outstanding generator debt. Unless the generator debt is either paid, or a compromise is negotiated with OEFC, OEFC will have the right to realize upon the Wawatay Facility pursuant to such security upon termination of the Wawatay PPA in 2042.

The Wawatay PPA also contains a number of provisions that apply if the actual amount of power generated by the facility is below the target generation level specified in the agreement. In certain circumstances, upon the target generation levels not being met over a specified period of time, OEFC may reduce the Wawatay Performance Payment by an amount equal to the "profit portion" of such payment. The "profit portion" of the Wawatay Performance Payment is calculated as the amount of such payment less the operating and maintenance costs of the Wawatay Facility. Over the past several years, the Wawatay Facility has periodically produced less than the specified target generation level and OEFC is entitled to reduce the Wawatay Performance Payment as described above. However, OEFC has not reduced the Wawatay Performance Payment. In addition, in other circumstances, OEFC would be entitled to give a notice of default of the Wawatay PPA, terminate the Wawatay PPA and enforce its security, subject to the right of the owner of the Wawatay Facility to cure such default by making a payment to OEFC calculated in accordance with the terms of the Wawatay PPA.

First Nations Net Profits Interest Agreement

Under a net profits interest agreement made in 1990, the Ojibways of the Pic River First Nation (the "Pic River FN") hold a net profits interest in the Wawatay Facility (the "Wawatay Net Profits Interest"). The Wawatay

Net Profits Interest entitles the Pic River FN to 10% of the positive balance in the Wawatay Net Profits Interest account, if any, payable monthly, less the cumulative amounts previously paid on account of the Wawatay Net Profits Interest. The Wawatay Net Profits Interest account equals the excess obtained by subtracting from the cumulative revenues of the Wawatay Facility the sum of the cumulative costs and the cumulative deemed interest charges. In accordance with the Wawatay Net Profits Interest agreement, the Pic River FN is entitled to be paid an advance against amounts that may be due in respect of the Wawatay Net Profits Interest in the amount of $25,000 per year.

Under the terms of the Wawatay Net Profits Interest agreement, the Pic River FN acknowledges that if its claim to any aboriginal interest in or rights to any lands or waters or activities carried on in, on or over any lands or waters shall at any time be upheld by a court, the Pic River FN will not exercise any such interest or rights so as to in any manner interfere with the operation of the Wawatay Facility or any modification or expansion thereof. The agreement requires the Wawatay Facility to use its best efforts to give priority to employing members of the Pic River FN who are equally qualified with other persons being offered employment and to require its contractors and subcontractors to use their best efforts to give such priority in employing personnel to work at the Wawatay Facility.

Under the terms of the Wawatay Net Profits Interest agreement the Pic River FN is entitled to 90 days' notice of any proposed sale of the Wawatay Facility and to purchase all the assets proposed to be sold at the price and upon the terms specified in the notice within said 90-day period.

Land Tenure and Water Rights

The land and water rights in respect of the Wawatay Facility are held: (i) pursuant to a water power lease with the Province of Ontario made January 1, 1992 for a term of 20 years from June 18, 1992 with three rights of renewal of 10 years each and which provides for certain annual payments; (ii) freehold with respect to certain lands; and (iii) pursuant to two perpetual easements each dated May 1, 1992 for roads and transmission lines from the facility to a public highway and Hydro One's transmission system interconnect.

Dryden Facility

Overview

The Dryden Facility is comprised of three run-of-the-river waterpower generating stations with a total installed capacity of 3.25 MW. The Wainwright generating station was built in 1922 on the Wabigoon River in Dryden, Ontario, five kilometres downstream of the outlet of Wabigoon Lake. The Eagle River generating station was built in 1928 at the outlet of Eagle Lake about 30 kilometres west of Dryden. The McKenzie Falls generating station was built in 1938 on the Eagle River two kilometres downstream of the Eagle River generating station. The generating stations were originally built by the Dryden Paper Company Limited to supply electricity to its mill in Dryden. The Dryden Facility is operated by Regional Power pursuant to the Waterpower O&M Agreement (see "– Maintenance of Waterpower Facilities and Waterpower O&M Agreement").

The generating stations comprising the Dryden Facility obtain water from large drainage areas, which include large lakes. The size of these drainage areas mitigates against changes in water flow which might otherwise be caused by variations in precipitation. The Wainwright generating station has a single vertical fixed blade propeller turbine that operates under a head of 8.8 metres and with a flow of up to 17 cubic metres per second. The Eagle River generating station has a single vertical Francis turbine that operates under a head of 10 metres and a flow of up to 17 cubic metres per second. The McKenzie Falls generating station has a single vertical double regulated Kaplan turbine that operates under a head of eight metres and with a flow of up to 17 cubic metres per second.

Dryden Power Purchase Agreement

Power produced from the Dryden Facility is sold exclusively to OEFC under a PPA dated October 23, 1990 (the "Dryden PPA"). OEFC has agreed under the Dryden PPA to purchase all power produced by the generating stations that comprise the Dryden Facility. The Dryden PPA has an initial term of 30 years ending on November 1,

2020. Following the initial term, the Dryden PPA will automatically continue in force for renewal terms of one year each, provided that either party may, with at least one year's prior written notice, terminate the Dryden PPA upon the expiry of the initial term or any renewal term thereafter.

The Dryden PPA has different pricing provisions for power produced during summer and winter as well as for power produced during on-peak and off-peak hours. Higher rates are paid for electricity sold to OEFC during the winter or during on-peak hours than those for electricity sold during the summer or during off-peak hours.

The Dryden PPA contains provisions regarding generator debt that function similarly to those in the Wawatay PPA. As at December 31, 2008, the generator debt associated with the Dryden Facility was fully repaid. As the guaranteed payments ended in October 2005 and the generator debt is now nil, for the remaining term of the Dryden PPA, OEFC will pay for the actual power generated at the Dryden Facility in each month at the base rate.

Land Tenure and Water Rights

The land and water rights in respect of the Wainwright generating station are held: (i) pursuant to a water power lease which will expire December 31, 2022, subject to renewal rights, and (ii) freehold with respect to the flood plain and lands on which a portion of the dam is located. Access to the Wainwright generating station from Highway 17 is by private road egressing to Kellar road, which intersects with the highway. The transmission line to the Hydro One interconnect is a 12.5 kV line running over the Wainwright generating station land and connects to the Hydro One distribution line along Kellar Road.

The land and water rights in respect of the Eagle River generating station and the McKenzie Falls generating station are held: (i) pursuant to a water power lease with the Province of Ontario which expires December 31, 2022, subject to renewal rights; and (ii) freehold with respect to the flood plain. A transmission line connects the McKenzie Falls generating station to the Eagle River generating station. While this line was originally laid out under rights granted to Dryden Paper Company Limited, those rights were withdrawn from title, perhaps inadvertently, by Dryden Paper Company Limited. Although the Fund believes that it is unlikely to affect the transmission line, the lack of registered title could require the construction of a new transmission line in the event of a challenge by owners of the land over which the transmission line runs. Regional Power has agreed to indemnify the Fund in the event of such an occurrence. Hydro One's main grid interconnect is located on the land rights held by the owner of the Dryden Facility. Access to the Eagle River generating station and the McKenzie Falls generating station is directly off of Highway 594.

Maintenance of Waterpower Facilities and Waterpower O&M Agreement

The Waterpower Facilities have maintenance programs that include regular inspections and overhauls and repairs and modifications are conducted in accordance with the equipment manufacturers' recommendations and industry standards. There are routine maintenance programs for each turbine and generator. In addition, the turbines and generators require periodic major maintenance, during which time the turbine and generator may not operate for a number of weeks.

The Waterpower Facilities are operated by Regional Power. Regional Power (and its predecessors) has operated the Wawatay Facility since its completion in 1992, the Sechelt Facility since its completion in 1997, the Hluey Lakes Facility since its completion in 2000 and the Dryden Facility since 1986. Under the Waterpower O&M Agreement dated November 14, 2001, Regional Power operates, maintains and manages the Waterpower Facilities in accordance with prudent industry practice and an annual operating plan developed by Regional Power and approved by CPOT.

The Waterpower O&M Agreement provided for an initial fee of $450,000 per year to Regional Power, which escalates annually for increases in the Consumer Price Index for Canada. The Waterpower O&M Agreement has an initial term of 10 years, expiring in November 2011, which is renewable for two additional five-year terms at the option of Regional Power. Each such right of renewal is subject to the Waterpower Facilities having been available to produce for a specified percentage of hours per calendar year (after adjusting for force majeure events, insurable events and scheduled major replacement and/or overhauls of major components) on average over the last five years and for any three of the last five years of the previous term of the agreement. CPOT has the right to terminate the Waterpower O&M Agreement if an independent review determines that Regional Power is not operating any Waterpower Facility in a manner consistent in all material respects with industry practice or that the practices of Regional Power have led to a material deterioration of the economic or physical performance or condition of any Waterpower Facility. In addition, the Waterpower O&M Agreement contains other customary termination provisions.

Regional Power is entitled to receive an incentive payment (up to a maximum of $50,000) equal to 50% of the amount by which the adjusted operating cash flow of the Waterpower Facilities for such year (other than from emission reduction credits or a retroactive adjustment to the DCR or reduction in generator debt) exceeds the reference cash flow agreed to between CPOT and Regional Power. To the extent that adjusted operating cash flow in a year (other than from emission reduction credits or a retroactive adjustment to the DCR or reduction in generator debt) is lower than the reference cash flow specified for such year, Regional Power is required to pay 50% of such shortfall to CPOT, up to a maximum payment of $25,000 in any year, with 50% of any additional shortfall, up to a maximum amount of $25,000, to be set off against future incentive payments.

Whitecourt Facility

Overview

The Whitecourt Facility is a wood waste fired electricity-generating plant located near Whitecourt, Alberta, with a gross installed capacity of 28 MW. The Whitecourt Facility is comprised of one steam turbine and one generator. Other major components of the Whitecourt Facility include: a 236,000 lbs/hr fluidized bubbling bed boiler with combustion air re-injection; wood receiving, conveying, stockpiling and reclaiming systems; a four compartment 'Wheelabrator' fly-ash handling system with supporting ash handling equipment; a cooling tower with a two-pass condenser; and self-unloading trucks for the transport of wood waste materials.

Whitecourt O&M Agreement

Under the Whitecourt O&M Agreement dated as of November 14, 2001 between Whitecourt Power Limited Partnership ("WPLP") and Probyn Whitecourt Management Inc. ("PWMI"), PWMI was engaged to operate, maintain and manage the Whitecourt Facility in accordance with prudent industry practice and an annual operating plan developed by the Whitecourt Facility and PWMI.

The Whitecourt O&M Agreement provided for an initial fee of $400,000 per year to PWMI, which had been escalated annually for increases in the Consumer Price Index for Alberta. The Whitecourt O&M Agreement had an initial term of 10 years and was renewable for two additional five-year terms at the option of PWMI, subject to certain conditions. In addition to other customary termination provisions, WPLP had the right to terminate the Whitecourt O&M Agreement if an independent review determined that PWMI was not operating the Whitecourt Facility in a manner consistent in all material respects with industry practice or that the practices of PWMI had led to a material deterioration of the economic or physical performance or condition of the Whitecourt Facility or if PWMI breahed or failed to observe or perform any of its material obligations, covenants, conditions, services or responsibilities under the agreement.

During the term of the Whitecourt O&M Agreement, PWMI was also entitled to receive an incentive payment equal to 50% of the amount by which the net operating cash flow of the Whitecourt Facility (other than from emission reduction credits) exceeded a reference cash flow agreed to between the CPOT and PWMI. To the extent that operating cash flow in a year (other than from emission reduction credits) was lower than the reference cash flow, PWMI was required to pay 50% of such shortfall to WPLP, up to a maximum payment of $100,000 in any year, with 50% of any shortfall in excess of $200,000 being set off against future incentive payments.

On January 5, 2009, WPLP terminated the Whitecourt O&M Agreement in accordance with its terms. Services previously performed by PWMI were assumed by the Whitecourt Facility's management staff. PWMI has informed WPLP that it disagrees with the basis upon which WPLP terminated the Whitecourt O&M Agreement and while PWMI has taken no action to date, PWMI has indicated that it is considering its legal options. In the event that PWMI does commence legal proceedings in connection with the termination of the Whitecourt O&M Agreement, WPLP intends to vigorously defend its position that the Whitecourt O&M Agreement was appropriately terminated in accordance with its terms.

Whitecourt Power Purchase Agreement

Power produced at the Whitecourt Facility is sold pursuant to a PPA dated November 6, 1990 (the "Whitecourt PPA") with TransAlta Utilities Corp. ("TransAlta"). The terms of the Whitecourt PPA were specified by the *Small Power Research and Development Act* (Alberta) ("SPRDA"). The Whitecourt PPA requires TransAlta to purchase the first 20.7 MW of power produced by the Whitecourt Facility on a continuous basis. The Whitecourt PPA has a term of 20 years from the date on which the Whitecourt Facility received its final allocation under the SPRDA, which was in December 1994. Pursuant to amendments to the *Electric Utilities Act* (Alberta) (the "EU Act") in 2000, the rights and obligations of TransAlta under the Whitecourt PPA have been transferred to the Balancing Pool and TransAlta simply functions as a flow-through entity between the Whitecourt Facility and the Balancing Pool. See "Power Infrastructure Industry – Regulatory Environment – Alberta".

The contract price for power under the Whitecourt PPA was set by the SPRDA and escalated annually until 2004 and has remained fixed at the 2004 price as a result of a ruling of the Alberta energy utility regulatory authority.

TransAlta may disconnect the Whitecourt Facility upon 30 days' written notice if the Whitecourt Facility is in violation of any term or condition of the Whitecourt PPA and the violation is not remedied within the notice period. TransAlta may also disconnect the Whitecourt Facility without notice in the event of substandard power delivery or safety risks. All remedial expenses to reconnect are for the account of the Whitecourt Facility.

Approximately 3.5 MW of net capacity of the Whitecourt Facility is not contracted under the Whitecourt PPA and is sold at the monthly hourly average Power Pool spot price.

Wood Waste Supply Arrangements

The Whitecourt Facility consumes approximately 300,000 green metric tonnes of wood waste per year. Wood waste fuel is delivered at the Whitecourt Facility's cost by the facility's fleet of three tractors and trailers. During the past several years, approximately 275,000 green metric tonnes has been supplied under an agreement with Millar Western Industries Ltd. and Millar Western Pulp Ltd. (collectively, "Millar Western"). The remaining wood waste fuel requirement is supplied by other producers.

Millar Western operates a sawmill and a pulp mill that are located approximately three kilometres away from the Whitecourt Facility. Millar Western has agreed to supply a minimum of 275,000 green metric tonnes of wood waste per year to the Whitecourt Facility for a term of 20 years that commenced in July 1996. Millar Western pays the Whitecourt Facility a flat fee of $0.50 per metric tonne during the term of the contract. On February 11, 2009, WPLP was notified by Millar Western that it would be reducing the amount of wood waste supplied to the Whitecourt Facility by 7,000 green metric tonnes per month effective immediately. Millar Western is required to pay for the full cost of replacement fuel for the Whitecourt Facility, up to the minimum requirement of 275,000 green metric tonnes, if Millar Western does not deliver the required minimum quantity of wood waste, subject to certain exceptions (including Millar Western ceasing production at its sawmill and pulp mill located near the Whitecourt Facility). WPLP presently obtains replacement wood waste for the Whitecourt Facility at spot prices from other local suppliers at Millar Western's cost. Accordingly, in the opinion of the Fund, the reduction of wood waste supplied by Millar Western is not expected to have a material adverse effect on the financial condition of the Fund.

BlueRidge is a producer of lumber and fiberboard products located approximately 38 kilometres away from the Whitecourt Facility. A short-term wood waste supply agreement provided for the supply of a contractual minimum of 15,000 green metric tonnes (up to a maximum of 20,000 green metric tonnes) of wood waste per year. This supply agreement had a 12-month term that commenced July 1, 2007 and which automatically renews for successive 12-month terms unless either party provided three months' notice of termination prior to the expiration of the initial term or any successive term. Deliveries under this agreement were suspended by BlueRidge in the second quarter of 2008 and wood waste is not currently available from this supplier.

Major Maintenance

The Whitecourt Facility has a maintenance program which includes regular inspections and overhauls, and repairs and modifications conducted in accordance with equipment manufacturers' recommendations. There is a routine maintenance program for the boiler and auxiliaries, which are inspected and maintained twice a year, with each inspection typically requiring a four-day outage. In addition, the turbine and generator follow a major maintenance overhaul schedule approximately once every seven years, during which time the facility does not operate. During the second quarter of 2008, the Whitecourt Facility completed its most recent major maintenance overhaul in 23 days. In the fourth quarter of 2008, unplanned repair work was also undertaken, primarily as a result of the identification of a higher than normal vibration in the turbine. The Whitecourt Facility plans to enhance and extend its spring 2009 maintenance program by up to an additional eight to 20 days to address this issue.

Chapais Facility

Overview

The Chapais Facility is a wood waste fired electricity-generating plant located in the town of Chapais, Québec, approximately 600 kilometres northwest of Québec City. The Chapais Facility is owned by Chapais Énergie, Société en Commandite ("CHESEC"), a limited partnership whose sole general partner is Chapais Électrique Limitée ("CHEL") and whose limited partners are CHEL and a wholly-owned subsidiary of CHEL. The Chapais Facility has a gross installed capacity of 31 MW. The power from the Chapais Facility is sold to Hydro-Québec through an interconnect point at a substation approximately 1.5 kilometres from the facility.

The Chapais Facility includes: one steam turbine; one generator; a 250,000 lbs/hr fixed pin hole grate boiler with combustion air reinjection; wood receiving, conveying, screening, hogging, stockpiling and reclaiming systems; an ash handling unit; and a cooling tower with a condenser. In April and October of each year, there are scheduled shut-downs at the Chapais Facility to perform maintenance and mechanical inspections.

Fund's Investment

The Fund's indirect minority equity interest in CHEL is comprised of 105 of the 336 outstanding Class B preferred shares in the capital of CHEL (the "CHEL Class B Shares"). The remaining outstanding capital of CHEL consists of 50 common shares and 400 Class A shares, all of which are owned by third parties (among them an affiliate of Probyn Power Service Inc. ("Probyn Power"), the manager of the facility). Although the CHEL Class B Shares are non-voting, pursuant to a shareholders agreement dated December 6, 1999 between CHEL and its shareholders, the approval of 70% of the holders of the CHEL Class B Shares is required to approve certain matters, including the entering into by CHEL of agreements other than in the ordinary course of business or the entering into by CHEL of any material agreement. The approval of all holders of CHEL Class B Shares is required to approve certain matters, including the issuance of any securities of CHEL, the taking of any action to liquidate, dissolve or wind-up CHEL, the sale of all or substantially all of CHEL's assets or for CHEL to borrow money. The CHEL Class B Shares entitle the holders to a preferential dividend from CHEL on the basis of 95% to the holders of CHEL Class B Shares and five percent to the holders of common shares until the amount of $12,300,000 plus 11.789% interest per annum, compounded semi-annually, has been paid to holders of CHEL Class B Shares by way of preferential dividends. The Class A shares of CHEL are also non-voting and are only entitled to receive dividends once the holders of the CHEL Class B Shares have received their preferential dividend.

CPOT Holdings Corp., an indirect, wholly-owned subsidiary of the Fund, is also a lender to CHESEC. As of December 31, 2008, CHESEC indirectly owed this subsidiary: (i) $7.1 million constituting the CHESEC Tranche A Senior Debt, which bears interest at a rate of 10.789% per annum and is payable by monthly blended payments of principal and interest to fully repay the debt by the maturity date in December 2015; (ii) $3.6 million constituting the CHESEC Tranche B Senior Debt, which bears interest at a rate of 4.91% per annum, payable by semi-annual interest payments with annual principal payments based on CHESEC's free cash flow and which matures in

December 2015; and (iii) $2.6 million of subordinated debt of CHESEC, which matures in December 2015, does not bear interest and under which no principal payments are due until all of CHESEC's outstanding Tranche A and Tranche B senior debt owed to all lenders (including amounts owed to the Fund's subsidiary) is fully paid off.

As a result of certain Québec legislation limiting non-first nation timber cutting, the average price of fuel supplied to the Chapais Facility during 2006, 2007 and 2008 increased, resulting in the suspension by CHESEC of the semi-annual interest payments on CHESEC's Tranche B senior debt. The timing of recommencing these interest payments is uncertain due to the continued impact of the above-noted legislation and current economic conditions. Interest is accrued on the unpaid interest and is added to the outstanding amount owed under CHESEC's Tranche B senior debt during the period of the suspension of interest payments.

Chapais Power Purchase Agreement

Power produced at the Chapais Facility is sold pursuant to a PPA with Hydro-Québec dated March 30, 1992, as amended (the "Chapais PPA"). The Chapais PPA has an initial term ending in 2015, but which may be extended to 2020 at the request of CHESEC. This extension is subject to obtaining certification by an engineering firm acceptable to Hydro-Québec as to the Chapais Facility's useful life over the requested extension. The price for electricity to be paid during the extension period will be agreed upon with Hydro Québec at that time.

The Chapais PPA requires the Chapais Facility to produce annually a minimum of 198,064 MWh, and 95% of the contractual capacity of 28 MW, during the winter months of December to March. The Chapais PPA provides for a penalty in the event that the annual production at the Chapais Facility falls below the contractual energy threshold. Pursuant to the Chapais PPA, a shortfall in the delivery of the 95% contractual winter capacity for two consecutive years would permit Hydro-Québec to impose a permanent *pro rata* reduction in the contractual capacity. Since it began production, the Chapais Facility has not had any major mechanical difficulties and has exceeded both the 95% contractual annual energy threshold and the 95% contractual winter capacity required by the Chapais PPA for the past 10 years.

Electricity delivered to Hydro-Québec in excess of 105% of 208,488 MWh (209,060 MWh in leap years) is paid at an occasional energy rate that is significantly lower than the rates paid for amounts of power sold under that threshold. Both the energy rate and the capacity rate are escalated annually by the Consumer Price Index for Greater Montreal, subject to a minimum escalation of 3% and a maximum of 6% per year.

Chapais O&M Agreement

The Chapais Facility is managed by Probyn Power pursuant to the Chapais O&M Agreement dated March 1, 2001 and which terminates in November 2012, subject to successive five-year renewals upon mutual agreement of the parties. Under the Chapais O&M Agreement, Probyn Power is required to operate, maintain and manage the Chapais Facility in accordance with prudent industry practice and an annual operating plan.

Pursuant to the Chapais O&M Agreement, the base fee payable to Probyn Power is $16,666 per month and is adjusted at the beginning of each contract year by a percentage equal to the rate of increase paid by Hydro-Québec for capacity pursuant to the Chapais PPA (the "Chapais PPA Escalator"). Probyn Power is entitled to receive a bonus of 30% of the positive difference between the operating income and the operating income target of the Chapais Facility provided that the maximum bonus in any year shall not exceed $150,000 as adjusted upwards by the Chapais PPA Escalator. Probyn Power employs the Chapais Facility's 29 operating and maintenance personnel.

Probyn Power has been retained directly by CHESEC. The ability of the Fund and the Manager to control or influence the operations of the Chapais Facility is limited as a result of the Chapais O&M Agreement and the Fund's indirect minority equity interest in CHEL.

Wood Waste Supply Arrangements

The Chapais Facility consumes approximately 440,000 green metric tonnes of wood waste per year. During the past several years, approximately 210,000 green metric tonnes, including sawdust, has been supplied by the

Barrette-Chapais Mill (“Barrette”), located approximately 10 kilometres from the Chapais Facility, 140,000 green metric tonnes has been supplied by the Chantiers Chibougamau Mill (“Chantiers”), located approximately 40 kilometres from the Chapais Facility, and 90,000 green metric tonnes has been supplied by other local sources, including those described below. In January 2009, Barrette provided notice that it would be reducing the amount of wood waste supplied to the Chapais Facility by approximately 30%. The Chapais Facility intends to obtain replacement wood waste from other sources, including a stockpile owned by Chantiers (as described below).

Barrette supplies wood waste to the Chapais Facility under a 20-year supply agreement ending in 2015. This agreement may be renewed on the same terms by CHESEC for an additional five years. The price for wood waste under the agreement is escalated annually by the Consumer Price Index for Greater Montreal (with a minimum escalation of 3% and a maximum escalation of 6% per year).

Chantiers supplies wood waste to the Chapais Facility under a 20-year supply agreement ending in 2015. Wood waste is supplied under this agreement at no cost. Effective January 1, 2007, CHESEC commenced paying Chantiers for fuel handling charges. This agreement may be renewed on the same terms by CHESEC for an additional five years.

Transportation vehicles and employees to haul the wood waste and to dispose the ash from the Chapais Facility are provided under a contract with Transport Lepage Inc.

In October 2005, Chapais signed a contract with Société en Commandite Sciere Opitciwan for the supply of 40,000 green metric tonnes of wood waste per year, for a term of five years. The price is escalated annually by 3% and adjusted for diesel fuel price escalation. This contract may be renewed for an additional term of five years. The price will be re-negotiated at the time of renewal.

In December 2007, a supply contract was signed with the Louisiana Pacific plant (of Chambord) to supply 20,000 green metric tonnes of wood waste per year. The contract commencement date was December 1, 2007 and runs until November 30, 2009. Shipments under this agreement ceased in the fourth quarter of 2008 as the plant was shut down for an indefinite period due to economic conditions.

In May 2008, Chapais signed a contract with Chantiers providing Chapais with the exclusive right to recover Chantiers’ old bark pile consisting of an estimated 200,000 green metric tonnes.

Any remaining wood waste required by the Chapais Facility is acquired by CHESEC at spot prices from existing local wood waste stock piles.

Operational Permits and Environmental Matters

The Power Infrastructure Facilities hold all necessary permits and approvals required for their respective operations. The Power Infrastructure Facilities and their respective operations are subject to a complex and stringent environmental, health and safety regulatory regime, including: (a) federal, provincial, municipal and local laws; (b) regulations, by-laws, common law, licences, permits and other approvals; (c) government directions and orders; and (d) government guidelines and policies and other requirements governing or relating to, among other things: (i) air emissions; (ii) taking of water and discharges into water; (iii) the storage, handling, use, transportation and distribution of dangerous goods and hazardous and residual material (such as chemicals); (iv) the prevention of releases of hazardous materials into the environment; (v) the prevention, presence and remediation of hazardous materials in soil and ground water, both on and off site; and (vi) workers’ health and safety issues (collectively, “Environmental, Health and Safety Laws”). The Power Infrastructure Facilities are managed in a manner designed to maintain compliance with Environmental, Health and Safety Laws. The Fund believes that the Power Infrastructure Facilities and their respective operations are in compliance in all material respects with Environmental, Health and Saftety Laws.

In particular, the Cardinal Facility is subject to various regulations promulgated under the *Environmental Protection Act* (Ontario) and by the Ontario Ministry of the Environment (including Ontario Regulation 397/01) limiting emissions of NOx and requiring the reporting of emissions of other GHGs, such as reactive hydrocarbons and CO_2. In order to comply with the requirements of Ontario Regulation 397/01, a continuous emission monitoring system was installed in January 2005 at the Cardinal Facility at a cost of approximately $229,000. In addition, the intake and discharge of water from the St. Lawrence River, which is used at the facility for cooling purposes and other processes, is subject to regulation. Chemicals that are used in boiler chemical treatment processes are all received and stored in bulk storage tanks provided by the vendors and are used, stored and disposed of in accordance with applicable regulations. Each of the transformers located at the Cardinal Facility has a concrete containment pit as part of its foundation in order to hold any potential oil spill in the event of a transformer failure. The Fund does not believe that the improper discharge of emissions, untreated water, chemicals or oil at the Cardinal Facility could have an adverse impact upon the business, operating results and financial condition of the facility.

The Cardinal Facility incurs the following costs in order to comply with environmental requirements: quality assurance and quality control review of approximately $10,000 per year; ongoing costs associated with the continuous emissions monitoring system of approximately $39,000 per year; and municipal/industrial strategy for abatement monthly and annual reports of approximately $13,000 per year. Total costs associated with environmental protection requirements were approximately $62,000 in 2008.

The Whitecourt Facility is subject to limits governing the emissions of carbon monoxide, sulphur dioxide, NOx and particulates in accordance with the facility's Alberta Environment Approval 291-01-02. The Alberta Environmental Approval requires stack emissions monitoring with two relative accuracy test audits per year and compliance testing for sulphur dioxide and particulate readings through the stack. Pond emission and groundwater, industrial wastewater and soil monitoring is also mandated at the facility. As well, the handling of wood ash must comply with standards and guidelines for the use of wood ash as a liming material for agricultural soils. Average annual emission levels at the Whitecourt Facility are approximately 50% below the levels of permitted emissions as set out in the Whitecourt Facility's environmental permit. In 2005, the Whitecourt Facility renewed its environmental permit and, as part of the renewal, has the ability to average its emissions for two hours based on a fuel interruption to the furnace. Previously, approximately 20 to 25 times per year, for a period of approximately one hour, emissions levels exceeded permitted levels due to the unavoidable occasional intake of high-moisture content fuel and fuel plugs and fuel feed interruptions caused by the non-uniform nature of wood waste and poor fluidized bed quality. The capital bed drain project completed in the spring of 2005 has enabled the facility to maintain more uniform fluidized bed characteristics to help eliminate the excedences since 2005. The only material expense associated with complying with environmental regulations at the Whitecourt Facility relates to the purchase of baghouse bags and associated labour with an aggregate annual cost of approximately $90,000. The Fund does not believe that the improper discharge of emissions, untreated water, chemicals or particulate could have an adverse impact upon the business, operating results and financial condition of the Whitecourt Facility.

The Erie Shores Wind Farm complies with the *Environmental Assessment Act* (Ontario) and as part of the site development process, underwent an environmental assessment that formed the basis for the design of the facility and the placement of the wind turbines to minimize any environmental impact.

Climate Change and the Environment

The Fund's assets are subject to complex and increasingly stringent environmental laws, regulations and guidelines at the federal, provincial and local levels. As the Biomass Facilities and the Cardinal Facility emit CO_2, these facilities must also comply with emerging federal and provincial requirements, including programs to offset emissions. The Fund complies, in all material respects, with current federal, provincial and local environmental legislation and guidelines.

Federal Requirements

On March 10, 2008, the Canadian federal government released a broad framework for the regulation of GHG emissions and air pollution entitled *Turning the Corner, Taking Action to Fight Climate Change*, in which it established the structure of GHG targets and compliance mechanisms for the years 2010 to 2020. While it is anticipated that the federal government will release draft regulations in 2009 to be finalized for implementation on January 1, 2010, recent public statements made by the federal Minister of the Environment indicate that the proposed federal framework will likely be amended to reflect a common North American approach to GHG management, including the implementation of a North American-wide cap-and-trade system.

The current proposed federal framework calls for an 18% reduction in GHG emission intensity for existing facilities, increasing by 2% per year until 2020, at which point a 20% absolute reduction will be required. Some other elements of the plan include:

- the ability for electricity companies to comply based on their corporate emissions intensity rather than on a plant-by-plant basis;
- the favourable treatment of cogeneration facilities such that only modest reductions are required;
- the establishment of a technology fund designed to allow companies investing in transformative technologies to use those funds for compliance purposes. Firms can comply with the plan by investing $15.00/tonne into the fund from 2010 to 2012, $20.00/tonne in 2013 and increasing by the rate of nominal GDP growth in each subsequent year;
- the ability of firms to obtain offset credits for compliance purposes; and
- the intent to establish a Clean Electricity Task Force to determine where additional reductions from the sector can be found.

The approach outlined in the framework is designed to provide an incentive for high-efficiency cogeneration. This is achieved by treating the baseline for cogeneration as equal to the emission levels if the electricity and heat were produced separately. For the heat component, the baseline will be equivalent to a stand-alone conventional boiler at 80% efficiency. Existing facilities would face a target in 2010 of 18% below this baseline, with 2% continuous improvement thereafter. For the electricity component, the baseline intensity would be that of natural gas combined cycle generation, or 0.418 tonne/MWh, with no further reduction requirement. All current equipment at Cardinal is designed to produce emissions below these applicable standards.

As part of this framework, on June 29, 2008 the federal government subsequently released its *Credit for Early Action Program*, which is designed to recognize and provide a limited number of carbon credits to certain facilities that took steps to reduce their GHG emissions between 1992 and 2006 and that will likely find themselves subject to mandatory GHG reductions. Credits will be available for reductions of CO_2, methane and NOx, among other gases. The Fund has determined that no projects carried out at its facilities during this period of time are eligible to earn credits under the *Credit for Early Action Program*.

Numerous design details of the federal framework are yet to be released and the coordination of this approach with provincial plans has not yet been negotiated. As a result, at this time the Fund cannot estimate the full impact of this framework on its operations. The Fund's exposure to evolving GHG regulations is mitigated by various clean technology initiatives and a growing portfolio of renewable power generation facilities, which could create viable GHG offset credits provided that the Fund's assets meet the applicable eligibility requirements under the federal offset program.

Concurrently, the federal government is developing a parallel framework for managing air pollutant emissions such as NOx, sulphur oxides, volatile organic compounds and particulate matter. Specific caps on pollutants for each sector, including electricity generation, are expected to be set in 2009 and are currently scheduled to come into effect between 2012 and 2015. It is anticipated that the electricity generation sector will also experience tighter caps on mercury emissions. Until the federal government announces the targets and compliance mechanisms for these air pollutants, the Fund cannot estimate the impact of such targets and compliance mechanisms on its operations.

Provincial Requirements

Alberta's government enacted the Specified Gas Emitters Regulations for GHG reductions in 2007. The Whitecourt Facility emits less than 100,000 tonnes of CO_2 annually, which is the threshold for the Alberta legislation.

Ontario legislation that came into effect in 2004 introduced a cap-and-trade system with respect to NOx emissions. Under this system, facilities subject to the legislation receive a maximum yearly emission compliance limit, which may be achieved by source emission control or reduction, or by trading NOx allowances. For 2008, the Cardinal Facility received 888 tonnes of NOx allowances based on actual generation in 2006. Cardinal expects to retire 380 tonnes of NOx allowances for 2008, leaving a cumulative allowance balance of 4,230 tonnes. NOx emissions from the Cardinal Facility's existing generating equipment fall below the levels mandated by legislation.

On June 2, 2008, the Ontario and Quebec governments announced a memorandum of understanding on a regional cap-and-trade system to reduce GHG emissions. Further, on July 18, 2008, the Ontario government announced that it had joined the Western Climate Initiative ("WCI"), an organization that also includes British Columbia, Quebec, Manitoba and seven U.S. states. The WCI seeks to develop regional strategies to address climate change, including setting an overall regional goal to reduce GHG emissions and the design of a market-based mechanism to help achieve the reduction goal.

Ontario's *Climate Action Plan*, which was released in August 2007, sets out GHG emission reduction targets of 6% by 2014 and 15% by 2020 from 1990 levels across a range of sectors, including electricity generation. As a member of the WCI, Ontario will implement a cap-and-trade system as part of its strategy to reduce GHG emissions. The Ontario government has indicated that it intends to have a cap-and-trade system in place by 2010 for large emitters (which include facilities emitting more than 100,000 tonnes of CO_2 per year) and once the WCI cap-and-trade system begins trading as anticipated on January 1, 2012, Ontario's trading system will be linked to the WCI system. On December 10, 2008, the Ontario Ministry of the Environment and the Ministry of Economic Development launched a consultation process on Ontario's cap-and-trade program which will continue through early 2009. The Cardinal Facility may be captured by the Ontario cap-and-trade regime as it emits in excess of 100,000 tonnes CO_2 per year.

In British Columbia, the provincial government introduced legislation in April 2008 to create a cap-and-trade system for GHGs. This enabling legislation provides the framework for the province to participate in the WCI's cap-and-trade system. The details of British Columbia's cap-and-trade system will be developed in conjunction with the WCI, which released its draft design recommendations for the WCI's regional cap-and-trade program (the "WCI Program") in September 2008. The WCI Program limits the use of offsets as a compliance mechanism to 49% of total emission reductions from 2012 to 2020. It is anticipated that the WCI Program will start trading on January 1, 2012. The existence of the WCI Program is expected to increase liquidity for carbon instruments across the WCI member jurisdictions and create potential opportunities for eligible Fund assets to generate offset credits.

The details of these agreements and the impact on emitting entities have not yet been determined. Moreover, it is not yet clear how these initiatives would coordinate with federal and other provincial plans. As a result, at this time the Fund cannot estimate the impact of these agreements on its operations.

Seasonality

As both the Cardinal PPA and the Cardinal GPA are long-term contracts with fixed prices, the results of the Cardinal Facility are not significantly affected by fluctuations in the market prices for electricity or natural gas. However, the Cardinal PPA contains lower power rates during the six-month period from April to September (and higher rates from October to March), which is reflected in the variations in the facility's quarterly results. In addition, the major maintenance activities at both the Cardinal Facility and the Whitecourt Facility are generally performed during the April to July period, which affects operating results during that time. Excess natural gas not consumed at the Cardinal Facility is periodically sold under the Cardinal Gas Mitigation Agreement, which can partially offset this seasonality. Exposure to fluctuations in the market prices of gas from these sales of surplus gas are partially hedged with gas swap contracts.

Electricity production generated by the Erie Shores Wind Farm fluctuates with the natural wind speed and density in the area of the facility. During the autumn and winter periods, wind speed and density are generally greater than during the spring and summer periods.

A significant portion of electricity generated by the Waterpower Facilities fluctuates with the natural water flows of the respective watersheds. During the spring and autumn periods, water flows are generally greater than during the winter and summer periods. The Wawatay PPA and the Dryden PPA have different pricing provisions for electricity produced, depending on the time of year. OEFC pays higher rates for electricity produced during the months of October to March.

The seasonality of wind speed and density, water flows and pricing provisions within certain of the Power Infrastructure Facilities' PPAs may result in fluctuations in the Fund's revenue and net income during the year. The Fund maintains reserve accounts and free cash in order to offset the seasonality and other factors that may impact electricity production. The Fund believes that the active management of the reserve accounts and free cash will be sufficient to maintain level monthly distributions to Unitholders in 2009.

Reserve Accounts

The Fund has established a general reserve account, a capital expenditure reserve account and a major maintenance reserve account (collectively referred to as the "Reserve Accounts"). As at December 31, 2008, the balance in each of the Reserve Accounts was $5 million for the general reserve account, $2.3 million for the capital expenditure reserve account and $9.8 million for the major maintenance reserve account. The amounts in the Reserve Accounts are held in accounts with a Canadian chartered bank.

The funds in the major maintenance reserve account are available to fund major maintenance expenses at the Power Infrastructure Facilities. The funds in the capital expenditure reserve account are available to the Power Infrastructure Facilities for capital expenditures. The funds in the general reserve account are available to the Fund for distribution to Unitholders, in the discretion of the Trustees, in the event that the cash available for distribution to Unitholders is less than the amount anticipated to be available for distributions by the Fund for any period. Fluctuations in cash available for distribution to Unitholders may result from a variety of factors including the operational performance of the Power Infrastructure Facilities and servicing of the related debt obligations (see "Risk Factors").

Power Infrastructure Industry

Overview

Historically, the Canadian electricity industry was characterized by vertically-integrated monopolies, such as Ontario Hydro. During the late 1980s, several jurisdictions began a process of restructuring by moving away from these monopolies towards more competitive market models. Rapid growth in electricity demand, environmental concerns, increasing electricity rates, technological advances and other concerns prompted government policies to encourage the supply of electricity from Independent Power Producers ("IPPs"). IPPs generate electricity from a number of sources, including water, natural gas, coal, waste products such as biomass (e.g., waste wood from forest products operations) and landfill gas, geothermal sources, such as heat or steam, the sun and wind.

Provincial governments have legislative authority over the generation, transmission and distribution of electricity within the provinces of Canada. The movement toward restructuring the Canadian electricity industry has been uneven, as each province has determined its policy in this area based on its assessment of its unique regional circumstances and issues. Alberta restructured its electricity market over a five-year period culminating in full retail access on January 1, 2001. In British Columbia, while it appears there are no plans to introduce full retail competition, the transmission systems provide open access, allowing IPPs to move electricity to the export market or to distribution utilities and large industrial customers within the province. In Ontario, full, open competition in electricity markets was introduced in May 2002, but has been modified several times since then. In the fall of 2003, the newly elected government in Ontario initiated a full-scale review of the Ontario energy sector and introduced new legislation in December 2004 that substantially modified the sector again.

Electricity Demand & Supply

The Canadian Electricity Association ("CEA") estimates that electricity demand in Canada is growing at an annual average rate of 1.5% to 2%, primarily reflecting population and economic growth. At the same time, limited net generation capacity has been added. With the anticipated retirement by 2020 of about 20% of power generation facilities currently operating, the CEA projects that 60,000 MW of generation capacity will need to be added by 2020 to meet both system demand growth and plant replacement needs. Canada's electricity demand will be met through a mix of conventional generation facilities as well as renewable or emerging generation technologies, representing a mix of base load and peaking plants to manage and respond to changes in electricity consumption.

Federal Wind Power Production Incentive and ecoEnergy for Renewable Power Program

The Wind Power Production Incentive ("WPPI") is a Canadian federal government program that provides incentive payments to producers of wind energy. The 2001 federal budget provided an initial $260 million for the program, to be paid by way of a per kWh incentive to eligible wind energy projects commissioned between March 31, 2002 and April 1, 2007. The goals of this incentive were to stimulate the installation of 1,000 MW of windpower capacity and to encourage complementary provincial support for renewable power. The 2005 federal budget provided an additional $200 million over five years and a total of $920 million over 15 years to expand WPPI to 4,000 MW. This is equivalent to the amount of power needed by approximately one million average Canadian homes. Under the program, projects were eligible to receive an incentive payment of between $0.008 and $0.012 per kWh for the first 10 years of operation, depending upon the commissioning date.

On January 19, 2007, the Canadian federal government announced the ecoEnergy Renewable Power Program. The ecoEnergy Renewable Power Program officially replaced WPPI, effective April 1, 2007, and essentially combined WPPI with the new "Renewable Power Production Incentive". The objective of the new $1.48 billion program is to encourage the development of clean power generation projects in Canada and to bring electricity prices from such projects more in line with those of conventional sources of electricity. An incentive of one cent per kWh for up to ten years is offered to eligible projects constructed over the four-year program. The program is intended to support up to 4,000 MW of new renewable electricity capacity by 2011. The program is open to all low-impact renewable-energy technologies, including wind, small waterpower, biomass, solar photovoltaic, geothermal, tidal and wave technologies that generate few or no harmful emissions.

Regulatory Environment

Ontario

The regulatory environment for electricity in Ontario was restructured in October 1998 following the passage of the *Energy Competition Act, 1998*, which, in turn, enacted two pieces of legislation necessary to create the legislative framework for the restructured Ontario electricity market — the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* ("OEB Act"). The *Electricity Act, 1998* restructured Ontario Hydro's integrated electricity businesses into the following five separate corporations: (i) Ontario Power Generation ("OPG"), which assumed the electricity generation, wholesale energy and ancillary services businesses; (ii) Hydro One Inc., which assumed the transmission, rural distribution and retail energy services businesses; (iii) the IESO, which was formed to act as an independent electricity system operator responsible for dispatching generation, to direct the operations of the Ontario transmission grid and to act as an independent administrator of the energy and ancillary services markets; (iv) the Electrical Safety Authority, which was established to carry out electrical equipment and electrical wiring installation inspection functions; and (v) OEFC. OEFC is the legal continuation of Ontario Hydro and an agent of the Province of Ontario. OEFC is responsible for servicing and retiring Ontario Hydro's outstanding debt and other obligations. In addition, OEFC administers the PPAs previously entered into by Ontario Hydro with IPPs, including the Cardinal PPA, the Dryden PPA and the Wawatay PPA.

Ontario's wholesale and retail electricity markets were opened to competition on May 1, 2002 and the obligation of transmitters and distributors to provide non-discriminatory open access to their systems came into force. With open access, generators can sell power to counterparties under bilateral contracts or bid their power into the IESO-administered markets and receive the market-clearing price. Pursuant to the IESO Market Rules, the IESO schedules and dispatches dispatchable generators and settles the purchase and sale of energy and ancillary services made through the IESO-administered markets. Following the opening of Ontario's wholesale and retail markets, Ontario experienced high levels of demand for electricity during July, August and September 2002, with resulting increases in the wholesale price of electricity and the incurring of significant costs for imported power. Reacting to public concerns over electricity prices, the Ontario government instituted retail price controls for electricity charged to consumers which, as of December 31, 2008, continued in a modified form.

On December 9, 2004, the Ontario Legislature passed the *Electricity Restructuring Act 2004* (the "ERA") which further restructured the electricity industry in Ontario and established the OPA which oversees and facilitates electricity supply adequacy and conservation for Ontario. The OPA has the task of procuring new electricity supply, transmission, demand management and conservation, either by competition or by contract when necessary. The ERA also transferred powers previously within the ambit of the IESO to the OPA, including medium and long-term electricity forecasting and planning. Similarly, the ERA significantly narrowed the scope of the Ontario Energy Board's responsibilities to the following: (a) the protection of the interests of consumers so that consumers have access to quality electricity that is reliable, adequate and economical and (b) support for the generation, transmission, distribution, sale and conservation of electricity that is cost-effective. The ERA concurrently expanded the Ontario Energy Board's role by empowering it to approve the integrated power system plans and procurement processes developed by the OPA.

The recent legislative amendments, government announcements and OPA initiatives do not contain any specific provisions that relate to or affect PPAs such as the Cardinal PPA, the Wawatay PPA or the Dryden PPA now being administered by OEFC, although, the Erie Shores Wind Farm was one of the capacity initiatives solicited by the Ontario Ministry of Energy. The implementation of the new market rules, however, has necessitated negotiations between the holders of existing PPAs and OEFC, including for the purpose of replacing the index used to adjust rates in many PPAs (including those for the Cardinal Facility, the Wawatay Facility and the Dryden Facility).

OPG is the dominant generator of electricity in the Province of Ontario, controlling approximately 70% of existing generation capacity in 2008. Although OPG's generator licence contains conditions requiring it to transfer effective control over portions of its output, recent political events have made it difficult to ascertain whether the Ontario government remains committed to these decontrol targets. The current government has committed not to sell OPG's major generating assets.

On February 23, 2009 the Ontario government introduced into the legislature the *Green Energy Act, 2009*. This legislation provides the framework to significantly expand Ontario's use of clean and renewable generation, streamline the approval processes for such projects, and proposes a feed-in tariff program with standardized rules, contracts and pricing. While much of the details will likely follow by way of future regulations, this legislation is expected to create further investment opportunities for new generation development.

Alberta

The government of Alberta passed the EU Act in 1996 and amended the EU Act in 1998 and 2000 to separate generation, transmission and distribution of electrical power in Alberta for regulatory purposes. The purpose of the EU Act is to permit the development of a competitive marketplace for electricity in Alberta. The EU Act created the Power Pool, through which all electrical power must be traded in Alberta except for electricity within exempted industrial systems, electricity from generators in remote locations not connected to the grid and certain direct sales. Under the EU Act, owners of existing electricity generation facilities in Alberta and importers of electrical power into Alberta offer power into the Power Pool at such prices as they determine.

Of particular interest to some clean power facilities in Alberta, the amendments to the EU Act and corresponding regulations in 1999 also created the Alberta Balancing Pool (the "Balancing Pool") that commenced operation on January 1, 2001. The amended legislation provides for the purchase of power from small producers at the prices set out in the PPAs entered into pursuant to the SPRDA. All revenues associated with the sale of such power into the Power Pool are to be paid into the Balancing Pool and all costs associated with such PPAs are to be paid out of the Balancing Pool. The effect of the amendments is to render a utility that is party to such a PPA a flow-through entity for the rights and obligations under that PPA. The Balancing Pool is intended to net out to zero with respect to all payments received and made in respect of those PPAs. Any net amount greater than zero in the Balancing Pool is to be allocated to consumers of electricity of Alberta and to the Alberta Electric System Operator (formerly the Transmission Administrator) under the EU Act. The Balancing Pool prepares an annual budget and provides that budget to the Independent System Operator for review. The Independent System Operator then considers that budget when setting tariff rates. If the Balancing Pool forecasts a budget deficit, the Independent System Operator may increase tariff rates to enable the Balancing Pool to meet its obligations.

The government of Alberta proclaimed in force on June 1, 2003 a new *Electric Utilities Act (2003)* (the "New EU Act") and the Independent Power and Small Power Regulation. The New EU Act effected alterations to the governance of institutional entities such as the Power Pool and the related regulations addressed payments to be made to and by the Balancing Pool, but neither served to alter the SPRDA-related arrangements described above.

British Columbia

BC Hydro, a British Columbia Crown corporation regulated by the British Columbia Utilities Commission ("BCUC"), is the main generator and distributor of electricity in British Columbia. BC Hydro accounts for approximately 80% of the province's total generating capacity (primarily from dams on the Peace and Columbia rivers). The remaining capacity is provided mainly by large and small industrial self-generators, FortisBC Inc., which provides utility service in the south-eastern part of the province, and IPPs.

In 2003, the transmission operations of BC Hydro's business were moved to a new British Columbia Crown corporation, the British Columbia Transmission Corporation. The British Columbia Transmission Corporation is regulated by the BCUC, and is responsible for the planning, management and operation of BC Hydro's transmission assets, including the management of an open access transmission tariff (effective on March 1, 2006), aimed at improving access to the transmission system for all generators and marketers.

Private sector development of new electricity generation has been one of the most significant developments in British Columbia's regulatory environment during the last five years and is a goal of the Government's current energy plan, which was introduced in 2007. Under this plan, the Government continues its commitment to "clean" energy sources, including a target of 90% of all electricity generation from clean or renewable sources and a target of electricity self-sufficiency for the province by 2016. Among other things, this plan provides that all new electricity projects developed in British Columbia are to achieve zero net GHG emissions and existing thermal generation power plants are to achieve zero net GHG emissions by 2016. In addition, the plan sets a goal of satisfying 50% of all of BC Hydro's incremental resource needs through conservation by 2020. During 2008, a variety of legislative amendments were made to the *Utilities Commission Act* (British Columbia) to enable achieving some of the energy plan goals.

BC Hydro's generation division, which operates as a separate line of business from BC Hydro's distribution division, is required to supply electricity from its existing waterpower and thermal generating stations to the distribution division at embedded cost under a "heritage contract" between the generation and distribution divisions. The distribution division acquires new power on a least cost basis from all potential sources (including IPPs, customer-owned generation, power imports and conservation and energy efficiency), subject to regulatory oversight by the BCUC. BC Hydro's existing electricity purchase contracts with IPPs include natural gas cogeneration, biomass, small waterpower, and wind projects that are both in service and under development, based on historical contracts from the 1990s and more recent ones initiated by the British Columbia Government's 2003 direction to BC Hydro to establish a competitive bidding process to acquire electricity from IPPs. BC Hydro held its first "Open Call for Power" in 2003 and then again in 2006. In 2008, BC Hydro also developed a standing offer program for generators of 10 MW or less to sell to BC Hydro and a separate request for proposals for biomass generators. Most recently, in late 2008, BC Hydro conducted a "Clean Power Call", the results of which contracts are expected to be announced in June 2009.

Québec

Québec is served principally by Hydro-Québec, a government-owned monopoly with major cost-competitive hydroelectric resources. Early private sector generation development occurred in Québec between 1991 and 1993. Hydro-Québec signed agreements at that time with private producers for the purchase of a total of 474 MW of electricity generated by hydroelectric generating facilities, windpower facilities and cogeneration plants fuelled by biomass and natural gas.

To meet the province's increasing demand, Hydro-Québec's distribution division has recently initiated a system of competitive bidding for the development of supply. Hydro-Québec's production division is allowed to bid alongside private producers, subject to a code of ethics overseen by Québec's Régie de l'énergie. Supply contracts are generally awarded on the basis of the lowest tendered price and factors such as applicable transmission costs. Final contracts require the approval of the Régie de l'énergie. Hydro-Québec purchases all of the electricity produced by IPPs, other than the electricity used by certain producers in their own operations.

In May 2006, the Québec Government unveiled its energy strategy. The strategy defines the province's goals and plan of action in relation to energy issues for a 10-year period. The Québec Government announced that it would strengthen its energy supply security by giving priority to hydroelectricity. The Government plans to create a portfolio of projects totalling no less than 4,500 MW to be initiated within the first five years of the plan. The energy strategy also calls for the continued development of Québec's wind energy potential, hydrocarbon reserves and the diversification of natural gas supplies. The energy strategy also ends Québec's moratorium on small, privately-owned hydroelectric power stations (50 MW or less).

Two significant calls for tenders in the area of wind energy (totalling an aggregate of 3,000,000 MW) have already occurred. A third call for tenders relating to 500 MW of wind power is expected to proceed in 2009. In November 2008, two decrees were published enacting regulations governing two separate 250 MW blocks of wind energy, one earmarked for aboriginal projects and the other earmarked for community projects

Social Infrastructure

Overview

The Fund owns an approximate 45% indirect interest in LSCLP, which, in turn, owns and operates the Leisureworld LTC Business. LSCLP and the Leisureworld LTC Business generate predictable cash flow due to the nature of the funding sources for the LTC sector and the steady growth in demand for LTC. These funding sources include payments from the Ontario Ministry of Health and Long-Term Care (the "MOHLTC") and payments from residents (certain of which are subsidized by the MOHLTC). In addition, many of the Leisureworld LTC Homes were built after 1998 and, as a result, are eligible to participate in the capital cost funding program offered by the MOHLTC. The Leisureworld LTC Homes that were built prior to 1998 are expected to be redeveloped to current standards over the next decade and this is expected to make these LTC homes eligible to receive funding under a new capital funding initiative similar to the current funding program (see "– Ontario Long Term Care Industry – LTC Funding Model").

Business Segments

The principal activity of the Leisureworld LTC Business is the ownership and operation of 25 LTC homes and the ownership and management of one LTC home on behalf of Spencer House Inc. (representing an aggregate of 4,314 beds), all of which are located in the Province of Ontario (collectively, the "Leisureworld LTC Homes"). The Leisureworld LTC Business also includes the ownership and operation of one RH (representing 29 beds) and one IL facility (representing 53 units) in the Province of Ontario (collectively with the Leisureworld LTC Homes, the "Leisureworld Homes") (see "– Ontario Long Term Care Industry – Overview").

The Leisureworld LTC Business also includes the following ancillary businesses: (a) Preferred Health Care Services, an accredited provider of professional nursing and personal support services for both community-based home care and LTC homes; (b) Ontario Long-Term Care, a provider of purchasing services to the Leisureworld Homes; and (c) Tealwood Developments, a provider of laundry services to the Leisureworld Homes.

Leisureworld Homes

The following table summarizes the Leisureworld Homes in operation at March 27, 2009, as reported by LSCLP management:

Summary of Leisureworld Homes

Name of Home	Location	Class	Year Built	Beds
Altamont	Scarborough	C	1965	159
Barrie	Barrie	C	1972	57
Brampton Meadows	Brampton	New	2003	160
Brantford	Brantford			
Original		C	1972	90
Expansion		New	2002	32
Brampton Woods	Brampton	New	2003	160
Cheltenham	North York	C	1967	170
Creedan Valley	Creemore	C	1975	95
Ellesmere	Scarborough	New	2003	224
Elmira	Elmira	New	2000	96
Etobicoke	Etobicoke	New	2001	160
Lawrence	Toronto	New	2002	224
Mississauga	Mississauga	C	1970	237
Muskoka	Gravenhurst	New	1999(2)	182
North Bay	North Bay	C	1975	148
Norfinch	North York	New	2003	160
O'Connor Court	Toronto	New	2001	160
O'Connor Gate	Toronto	New	2001	158
Orillia(1)	Orillia	New	2006	160
Oxford	Ingersoll	C	1975	80
Richmond Hill	Richmond Hill	New	2003	160
Rockcliffe	Scarborough	C	1968	204
Scarborough	Scarborough	B	1991	299
St. George	Toronto	C	1972	238
Streetsville	Streetsville	C	1976	118
Tullamore	Brampton	C	1965	159
Vaughan	Vaughan	New	2004	224
Total Beds in LTC Homes				**4,314**
Retirement Homes/Independent Living				
Muskoka	Gravenhurst		1999(2)	29
Midland Gardens	Scarborough		1991	53
Total Beds in Retirement Homes / Independent Living				**82**

Notes:

(1) The Orillia LTC home opened on November 17, 2006. Spencer House Inc., a charitable not-for-profit home for the aged, holds the licence from the MOHLTC to operate the LTC beds and leases the Orillia LTC home's land, buildings, furniture, fixtures and equipment from a subsidiary of LSCLP. Spencer House Inc. has appointed a subsidiary of LSCLP as manager of the Orillia LTC home's 160 LTC beds.

(2) The original structure at Muskoka was built in 1975 but was completely rebuilt and the RH was refurbished in 1999.

The MOHLTC ranks LTC homes into five categories, Class "New" and Classes "A" through to "D", based upon whether the LTC home meets certain design standards (Class "New" is the highest category and represents LTC homes that meet or exceed the MOHLTC's most recent design standards). Together, Class New and Class A LTC homes comprise approximately 52% of the total beds of the Leisureworld LTC Homes, as shown in the following table:

Leisureworld LTC Homes Breakdown of Beds by Class

Beds by Class[1]	Number of Beds	Percentage of Portfolio
New or A[2]	2,260	52.4%
B	299	6.9%
C	1,755	40.7%
D	0	0.0%
Total	4,314	100.0%

Notes:

(1) Class A homes meet or exceed 1998 design standards. Class B homes exceed 1972 standards but do not meet 1998 design standards. Class C homes meet 1972 standards.

(2) All of Leisureworld's Class A homes are designated New homes and qualify for capital funding of $10.35 per day, per bed.

All the Leisureworld LTC Homes have been accredited by Accreditation Canada.

On January 31, 2008, LSCLP completed the Counsel Acquisition. This acquisition was financed through a credit facility established by LSCLP in connection with this acquisition (see "– Counsel Acquisition Facility").

On January 31, 2008, LSCLP signed an agreement to acquire the Good Samaritan Seniors Complex, which consists of a 64 bed Class New LTC home and an attached 24 bed RH, located in Alliston, Ontario for approximately $11.1 million plus transaction costs, conditional upon regulatory approval from the MOHLTC (the "Good Samaritan Acquisition"). On March 16, 2009, which was the outside date for the closing of the Good Samaritan Acquisition, the agreement was terminated as the MOHLTC approval had not been obtained by that date.

The Leisureworld LTC Homes have a significant proportion of beds which are designated as preferred accommodation, with an overall portfolio ratio of approximately 53% of beds designated as private or semi-private accommodation. Approximately 3.66% of the net revenue of the Leisureworld LTC Business for the year ended December 31, 2008 was generated from charging residents an incremental preferred premium of $18.00 per day per bed and $8.00 per day per bed for private and semi-private accommodations, respectively.

Summary of Leisureworld LTC Home Portfolio by Type of Beds

Name of Facility	Basic	Semi-Private	Private	Short Stay/ Convalescent Beds[(1)]
Altamont	63	90	5	1/0
Barrie	23	31	3	0/0
Brantford	49	37	34	2/0
Brampton Meadows	64	0	96	0/0
Brampton Woods	54	0	96	0/10
Cheltenham	67	94	8	1/0
Creedan Valley	54	30	10	1/0
Ellesmere	90	0	134	0/0
Elmira	36	0	58	2/0
Etobicoke	80	0	80	0/0
Lawrence	90	0	134	0/0
Mississauga	94	129	13	1/0
Muskoka	114	0	68	0/0
North Bay	92	20	30	0/6
Norfinch	64	0	96	0/0
O’Connor Court	60	0	100	0/0
O’Connor Gate	78	0	80	0/0
Orillia	66	0	94	0/0
Oxford	30	40	8	2/0
Richmond Hill	64	0	96	0/0
Rockcliffe	81	98	24	1/0
Scarborough	159	106	30	4/0
St. George	212	18	4	4/0
Streetsville	46	63	8	1/0
Tullamore	63	92	3	1/0
Vaughan	90	0	134	0/0
Total	1,983	848	1,446	21/16
% of Total	45.97%	19.66%	33.52%	0.49%/0.37%

Notes:

(1) Short Stay and Convalescent Care Beds are reserved for people requiring stays in a LTC home of less than 30 and 90 days, respectively. Short Stay beds are designed to provide home caregivers with relief from their caregiving duties on a periodic basis. Convalescent Care beds are typically used to provide resident support following a hospital stay. Short Stay beds are funded at 100% occupancy regardless of actual occupancy and Convalescent Care beds are funded at 100% occupancy provided average annual occupancy meets or exceeds 80%. In addition, Convalescent Care beds earn additional funding as a result of the higher level of care required.

LSCLP 2015 Notes and Credit Facility

On November 24, 2005, LSCLP issued an aggregate principal amount of $310 million 4.814% Series A Senior Secured Notes due November 24, 2015 (the “2015 Notes”) collateralized by the assets of LSCLP and its subsidiaries and guaranteed by these subsidiaries. The proceeds of the 2015 Notes were used to repay a senior bridge debt facility provided to LSCLP by a Canadian chartered bank in connection with the acquisition by LSCLP on October 18, 2005 of 19 LTC homes (representing 3,187 beds) and certain related businesses (the “Acquired LTC Business”). Interest on the 2015 Notes is payable semi-annually in arrears on May 24 and November 24 of each year, and commenced on May 24, 2006. The 2015 Notes may be redeemed in whole or in part at the option of LSCLP at any time, upon not less than 30 days’ and not more than 60 days’ notice to the holders of the 2015 Notes, at a redemption price calculated in accordance with the indenture governing such notes.

LSCLP also has a $20 million revolving credit facility with a Canadian chartered bank, which LSCLP can access for working capital purposes. The facility bears interest at a variable rate on cash advances based upon a BA rate + 200 basis points and on letters of credit. On October 17, 2008, the revolving credit facility was amended to extend its maturity by one year to October 17, 2009. As at December 31, 2008, $5.068 million had been drawn against this facility in the form of letters of credit.

Counsel Acquisition Facility

On January 31, 2008, in connection with the Counsel Acquisition, LSCLP borrowed $75 million from a Canadian chartered bank (the "Counsel Acquisition Facility"). 20% of the Counsel Acquisition Facility constituted a one-year equity bridge with the balance maturing on January 31, 2011. This borrowing is collateralized by the assets of LSCLP and its subsidiaries and guaranteed by these subsidiaries and it ranks *pari passu* with the 2015 Notes. The Counsel Acquisition Facility bears interest at a variable rate on cash advances based upon a BA rate. However, LSCLP has separately entered into a swap agreement, also with a Canadian chartered bank, to effectively fix the rate of interest on the Counsel Acquisition Facility. On January 30, 2009, the Fund and MIIFL made an aggregate equity contribution to LSCLP of $15 million, in proportion to their respective ownership interests in LSCLP. LSCLP used the $15 million proceeds from this equity contribution to repay the equity bridge component of the Counsel Acquisition Facility.

Operational Permits and Environmental Matters

LSCLP holds all necessary licences and approvals required to operate the Leisureworld LTC Business, including licences for the Leisureworld LTC Homes issued by the MOHLTC (with the exception of the Orillia LTC home which it manages on behalf of Spencer House Inc., the holder of the licence from the MOHLTC). The Fund believes that each of the Leisureworld Homes and their operations are in compliance in all material respects with Environmental, Health and Safety Laws.

It is LSCLP's policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant or consulting firm, prior to acquiring or financing the development of any new property. Phase I environmental site assessments are non-intrusive investigations which involve a visual site inspection and a review of historical land use information. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, LSCLP's policy is to obtain Phase II environmental site assessments, which are more involved investigations that involve soil, groundwater or other sampling, to confirm the absence or presence and extent of an environmental concern. With respect to the Counsel Acquisition, a Phase I environmental site assessment was conducted at each location and a Phase II environmental site assessment was conducted where appropriate. One non-material environmental issue relating to soil conditions underlying one of the LTC homes acquired as part of the Counsel Acquisition was identified for which LSCLP is indemnified by Counsel Corporation with respect to the remediation of the soil.

Employees

As at March 27, 2009, the Leisureworld LTC Business employed, directly and indirectly, approximately 5,000 people. All of the Leisureworld Homes are currently unionized with approximately 80% of employees represented by union locals of one of the Service Employees International Union, the Ontario Nurses Association, the Christian Labour Association of Canada, the Canadian Union of Public Employees or the Canadian Auto Workers. The *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors' housing industry, governs the Leisureworld LTC Homes' labour relations.

As at December 31, 2008, all labour contracts (except as described below) relating to the Leisureworld LTC Business were in force. Negotiations with the Canadian Union of Public Employees regarding agreements in respect of the Creedan Valley and Muskoka LTC homes that expired on December 31, 2007 are continuing and are expected to be finalized in 2009. As well, in January 2009, a new labour contract with the Service Employees International Union was settled in respect of Tealwood Developments and the ratification process with the bargaining unit is presently underway.

Legal Proceedings

From time to time, the Leisureworld LTC Business is involved in legal and administrative proceedings in the ordinary course of its business. Given the inherent unpredictability of litigation, it is possible that an adverse outcome from future legal actions could have a material adverse effect on the Leisureworld LTC Business, including its operations, results or cash flows in any particular quarterly or annual period or periods.

MSHL is involved in a lawsuit with a former supplier, Corporate Building Services Inc. (the "CBSI Claim"). The CBSI Claim is for $5.9 million and its outcome cannot be determined. MSHL was added as a defendant in 2006. LSCLP intends to vigorously defend MSHL's position in this action, as this potential liability was assumed by LSCLP as part of the Acquired LTC Business. In LSCLP management's opinion, the resolution of this action should not have a material adverse effect on the financial condition of LSCLP. The defendants will be denying all allegations and asserting that the action should be dismissed with costs payable to the defendants.

Ontario Long Term Care Industry

Overview

For seniors living outside of the family home, the types of housing facilities available in Ontario may generally be grouped in one of the following three categories:

- **Independent Living ("IL") Facilities:** IL facilities are similar to an apartment or town home and can take the form of a larger seniors' community or campus. Suites in IL facilities may be owned or rented and cater to the independent senior who requires minimal or no assistance with daily living. Services such as meals, housekeeping or laundry are often provided on request for an additional charge. IL facilities are not subsidized by the government and residents are responsible for the entire cost of accommodation and care. Other than general regulations applicable to rental housing facilities and public health, these facilities are not licenced or regulated by the government.

- **Retirement Homes ("RHs"):** RHs contain hotel-style rooms and suites that are generally rented to residents on a monthly basis in conjunction with a meal and service package. Services provided can can range from "light care" (which provides for a high degree independence but within a more secure and supportive environment than in IL facilities), "full care" (where the facilities and services are similar to those at "light care" RHs but which are geared towards more frail seniors and may include 24-hour nursing support) and "assisted living" (where additional care is provided to very frail or cognitively-impaired residents who may require supervision in a secure, controlled section of a RH). Similar to IL facilities, RHs are not licenced or regulated by the Government other than in respect of general regulations applicable to rental housing facilities and public health.

- **Long Term Care ("LTC") Homes:** LTC homes are designed to accommodate seniors who may require 24-hour per day care and who may suffer from cognitive or physical impairment. LTC homes offer higher levels of personal care and support than those typically offered by IL facilities or RHs. LTC homes may include shared, semi-private and private suites. All LTC homes in Ontario must be licenced by the MOHLTC. LTC homes are eligible for funding from the MOHLTC and are subject to regulation and care standards. LTC homes include nursing homes (generally operated by private operators), charitable homes for the aged (generally operated by charitable organizations) and municipal homes for the aged (generally operated by municipalities). Each of the Leisureworld LTC Homes is considered to be a nursing home.

The demand for seniors' housing and programs is growing in Ontario. The Fund believes that the following factors have and will continue to have a positive impact on demand for housing in LTC homes in Ontario: favourable demographics; increasing life expectancy; increasing seniors' affluence; and changing family dynamics.

- **Favourable Demographics:** The primary demographic group living in LTC homes is Canadians who are greater than 75 years of age. The Ontario Ministry of Finance projects that the population aged 65 years and up will nearly double from 1.6 million, or 12.9% of the population, in 2006 to 3.5 million, or 21.4% of the population in 2031.

- **Increasing Life Expectancy:** Primarily as a result of advances in healthcare, Canada's population is aging. The average life expectancy for Canadians increased to 80.4 years in 2005 from 77.8 years in 1991 according to Statistics Canada.

- **Increasing Seniors' Affluence:** According to Statistics Canada, the financial situation of seniors in Canada has improved significantly in the past two decades. The average after-tax income of senior families increased by 18% from 1980 to 2003. In addition, the proportion of low-income seniors continues to decrease compared with the Canadian population as a whole. Increases in net worth (largely as a result of the many seniors who now own their homes debt-free), combined with increased household incomes, allow seniors to afford a much higher quality housing product with greater amenities than at any time in the past. Seniors' housing is now more upscale and residential, compared to the institutional feel that previously characterized such facilities. And, instead of having to settle for a traditional ward room, seniors can now choose private or semi-private accommodation that more resembles a hotel than a nursing home of a previous generation.

- **Changing Family Dynamics:** Today, when seniors no longer wish or are able to live in their own homes, they often do not have the option to move in with their adult children, as they might have in the past. With more and more families having both spouses working full-time outside of the home and changes in lifestyles reducing the ability of adult children to care for their aging parents, seniors' housing facilities are an attractive option.

LTC Regulatory Environment

In Ontario, all LTC homes are regulated by the MOHLTC. These regulations require that LTC homes be licenced in order to operate and to receive funding. In addition, no licencee may operate a nursing home unless the licencee is a party to a service agreement that complies with the *Nursing Homes Act* (Ontario) (the "Nursing Homes Act") and its regulations. LTC homes must generally be built to specified design criteria and funding is generally tied to the level of delivery of mandated care services (see "– Leisureworld Homes" and "– LTC Funding Model"). The MOHLTC sets standards for care, the fees residents may be charged and conducts annual compliance reviews of LTC homes, although more frequent inspections may be done when the circumstances warrant (e.g., post-sale inspections, follow-up inspections and inspections conducted to investigate concerns).

Nursing home licences are currently valid for a term of one year, but are routinely renewed each year unless there is a history of concerns and/or complaints with respect to the facility. While it is possible for a nursing home's licence to be revoked due to inadequate performance or care by the operator, the Fund believes such actions are rare and would typically be preceded by a series of warnings, notices and other sanctions and that the operator would typically be given an opportunity to rectify any deficiencies before a revocation or cancellation takes place.

In the spring of 2006, the *Local Health System Integration Act*, *2006* (Ontario) (the "LHSI Act") came into force, although a number of the provisions under the LHSI Act relating to LTC homes have not yet been implemented. Under the LHSI Act, the management of certain local health services, including the funding of and setting performance goals for LTC homes, was devolved to 14 regional non-profit corporations known as Local Health Integration Networks ("LHINs"). The implication of the LHSI Act on LTC homes is not presently known and the LHINs' functions will be phased in over time. However, since the intention of the LHSI Act is that LHINs, rather than the MOHLTC, be responsible for entering into service agreements with LTC homes, setting local performance goals and funding LTC homes, it is possible that the current system of standards and funding described herein could be significantly changed in the near future. Further, it is possible that standards and funding for LTC homes could differ between LHINs.

The *Long-Term Care Homes Act, 2007* (Ontario) (the "Long-Term Care Homes Act") received Royal Assent on June 4, 2007, although it will not be proclaimed into law until the regulations dealing with the specific aspects of the legislation are developed and approved, a process that is expected to continue through 2009. The Long-Term Care Homes Act establishes a new system of governance for LTC homes in Ontario, including the consolidation of the Nursing Homes Act with the similar acts governing charitable and municipal homes for the aged. Among its provisions, the Long-Term Care Homes Act provides for: zero tolerance of abuse and neglect of

LTC home residents; whistle-blowing protections for staff, residents and volunteers who report abuse or neglect; enshrining in legislation the requirement that a registered nurse be on duty in the home 24 hours a day, seven days a week; restrictions on the use of restraints to limited circumstances where it is absolutely necessary and only with appropriate safeguards; limitations on licence terms as follows: one year for "D" rated facilities that have not been upgraded; 10 years for upgraded "D" rated facilities; 15 years for "C" and "B" rated facilities; 20 years for "A" rated facilities; and 25 years for "New" homes less the number of years the home has been operating as "New" from the date that the regulations become effective (although no "New" home is to receive a licence with a term of less than 20 years); and the ability of the MOHLTC to revoke licences in cases of non-compliance (and other sanctions). Many of the provisions of the Long-Term Care Homes Act are already in place at the Leisureworld LTC Homes and the Fund believes that the term limits for licences will not have a material impact on LSCLP's operations.

LTC Funding Model

Operational funding of LTC homes in Ontario is currently paid monthly and is divided into three "envelopes". Total operational funding received by operators includes a provincial government component and a direct charge to residents. Each envelope is structured as a fixed amount per resident per day, or "rate". If a LTC home's average annual occupancy level meets or exceeds 97%, it is the MOHLTC's policy to provide funding based on 100% occupancy.

- **Nursing and Personal Care ("NPC")**: Funded by the MOHLTC and designed to cover expenses associated with nursing and personal care staffing as well as medical and nursing supplies. LTC homes receive funding based on the assessed care needs of their residents.

- **Programs and Support Services ("PSS"):** Funded by the MOHLTC and designed to cover expenses associated with therapeutic services, pastoral care, recreation, staff training, volunteer coordination and other services.

- **Accommodation:** A co-payment charged to residents designed to cover funding for room-and-board expenses such as food, housekeeping, dietary services, laundry and linen, administration, and building/property operations and maintenance, including mortgage payments and taxes. This envelope comprises a food-only component (the "Food Component") and an other accommodation ("OA") component.

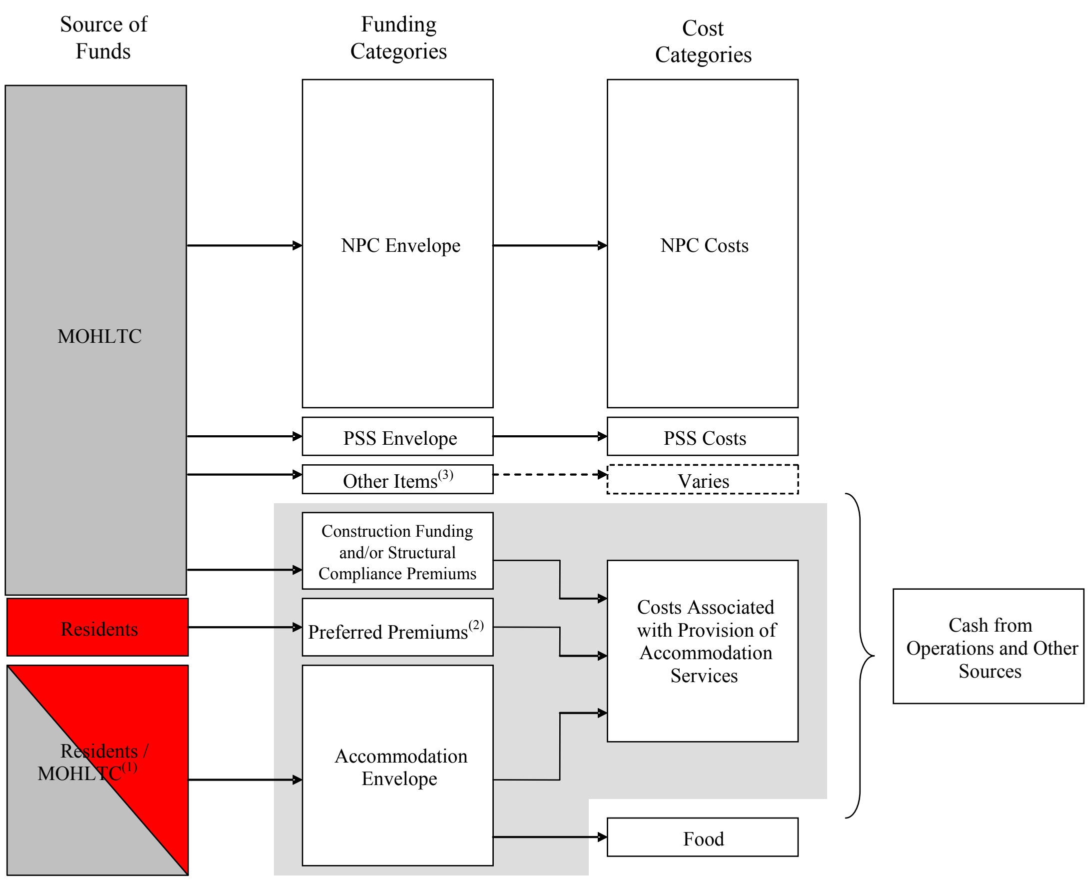
Additional funding is also available to operators of LTC homes from the following sources:

- **Capital Cost Funding:** Operators of LTC homes built since April 1, 1998 and operators of significantly out-dated existing Class D LTC homes that are to be redeveloped, retrofitted or upgraded to Class A LTC homes are eligible for provincial capital cost funding. The capital cost funding is a 20-year commitment from the MOHLTC to pay a specified amount, which depends on the actual construction costs, per day, per bed. On July 31, 2007, the MOHLTC announced plans to establish a new capital cost funding initiative, similar to the current program, aimed at providing incentives for owners of existing Class B and C LTC homes to redevelop such properties to current standards. In December 2008, operators of existing Class B, C and upgraded Class D LTC homes were surveyed by the MOHLTC to assess available funding mechanisms for proposed redevelopments or retrofits, as may be appropriate. Further details with respect to the implementation of the capital cost funding initiative are expected to be finalized in 2009.

- **Structural Compliance Premiums:** An amount is provided on a per person per day basis and applies to those operators (other than operators of Class D LTC homes) who have fully or partially financed their own construction costs. The amount depends on the design standard that the LTC home meets and the amount of any government grants received.

- **Other Funding Items:** The MOHLTC also provides additional funding to LTC homes, including accreditation funding for LTC homes, which meet prescribed standards and have been accredited by Accreditation Canada and partial reimbursement of LTC homes' municipal property tax obligations, among other funding items for various other purposes. As well, preferred premiums are received from residents for semi-private or private accommodation.

Funding provided to the NPC and PSS envelopes and for the Food Component of the Accommodation envelope generally make up more than 60% of the per day operational funding received by operators of LTC homes and may only be applied to expenses categorized for each respective envelope and cannot be transferred to any other envelope. Any funding received by an operator of a LTC home from the NPC and PSS envelopes and the Food Component of the Accommodation envelope in excess of the amounts spent by the operator must be reimbursed to the MOHLTC during an annual reconciliation process. Funding related to the OA Component of the Accommodation envelope may be applied to expenses under any envelope or retained for profit (provided that all MOHLTC accommodation standards for LTC homes are met). Should an operator incur costs in excess of the amount allocated for an envelope, then that expenditure must be paid from the OA Component of the Accommodation envelope (a practice known as "overspending"). Overspending in the NPC and PSS envelopes and the Food Component of the Accommodation envelope can impact profitability as any shortfall must be made up from the OA Component of the Accommodation envelope. As such, operators of LTC homes have an incentive to manage costs within their funding envelopes. The economies of scale in hiring, purchasing, administration and other areas enjoyed by larger operators reduces the likelihood of overspending. The following diagram (which is not to scale and actual spending amounts differ) provides an overview of the overall funding framework for a LTC home in Ontario on a normalized basis, assuming no overspending:



Notes:

(1) Some portion of funding to the accommodation envelope may be derived from the MOHLTC due to subsidization of low income residents.
(2) Preferred premiums are paid by residents for semi-private or private accommodation.
(3) Other Items includes items such as accreditation funding and pay equity funding.

LTC Competitive Structure

The LTC industry in Ontario is comprised of a number of private and public sector operators offering a variety of similar services to those offered by the Leisureworld LTC Business. The Ontario LTC industry has historically been fragmented, with small independent operators providing most of the housing. However, in recent years, the industry has experienced a great deal of consolidation. Larger operators (such as LSCLP) run by professional management, are able to realize cost efficiencies, economies of scale and greater access to capital while at the same time increasing the quality of the facilities and the services provided.

The Leisureworld LTC Business faces competition from other health care providers, hospital-based long-term care units, rehabilitation hospitals, home health agencies and rehabilitative therapy providers. Competitive factors which determine the placement of residents in nursing and assisted living facilities (such as IL facilities and RHs) include quality of care, services offered, reputation, physical appearance of the facility, location and cost to the resident for additional services or private or semi-private accommodation. As well, competition in the LTC industry is affected by supply/demand imbalances as a result of government initiatives that can lead to an oversupply in some markets and have competitive implications for new or existing operators.

DESCRIPTION OF THE FUND

General

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund Declaration of Trust. Under the Fund Declaration of Trust, the Fund is generally restricted to investing in and otherwise dealing with securities issued by MPIIT and the securities of any other person which is involved directly or indirectly in the Power Business with a focus on operating power generation facilities in Canada and the U.S. or in such other business or activity as may be approved by a majority of the Trustees (including a majority of the Trustees independent of the Manager), such as social infrastructure. The Fund qualifies as a "mutual fund trust" for the purposes of the Tax Act and is expected to continue to so qualify at all material times in the future.

Units

The following is a summary of the material attributes of the Units and certain provisions of the Fund Declaration of Trust, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Fund Declaration of Trust. Reference should be made to the Fund Declaration of Trust for a complete description of the Units and the full text of its provisions (see "Material Contracts").

An unlimited number of Units may be issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of the termination or winding-up of the Fund. No Unitholder has or is deemed to have any right of ownership in any of the assets of the Fund. All Units are of the same class with equal rights and privileges. Each Unit entitles the holder thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under "– Redemption at the Option of Unitholders" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Units

The Fund Declaration of Trust provides that Units, and rights, warrants and options to acquire Units or securities convertible into or exchangeable for Units ("Other Securities"), may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any unitholder rights plan or any incentive option or other compensation plan established by the Fund. New Units or Other Securities may be issued for cash through public offerings, through rights offerings to existing Unitholders (i.e., offerings in which Unitholders receive rights to subscribe for new Units or Other Securities in proportion to their existing holdings of Units or Other Securities, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion rights exercised under convertible securities, including warrants and subscription receipts. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis to the extent that the Fund does not have available cash to fund such distribution. The Fund Declaration of Trust also provides, unless the Trustees determine otherwise, that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be automatically consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Unitholder's share of the distribution.

Purchase of Units

The Fund may, from time to time, purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase may constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the Fund, all rights to and under the Units tendered for redemption will be surrendered and the holder thereof will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the "market price" (as defined in the Fund Declaration of Trust) of the Units as of the date on which the Units are surrendered for redemption; and (ii) the "closing market price" (as defined in the Fund Declaration of Trust) as of the date that the Units are surrendered for redemption.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during a particular calendar month will be satisfied by a cash payment no later than the last day of the month following the month during which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month does not exceed $50,000 (provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month); (ii) at the time the Units are tendered for redemption, the outstanding Units are listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the date on which Units are surrendered for redemption or for more than five trading days during the ten-day trading period ending on such date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of one or more of the foregoing limitations, then each Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a distribution *in specie* of notes (the "Exchange Notes") of a wholly-owned subsidiary to be established by the Fund in satisfaction of the Redemption Price. No fractional Exchange Notes in integral multiples of less than $100 will be distributed and, where the amount of Exchange Notes to be received by a Unitholder includes a fraction or a multiple less than $100, that number or amount shall be rounded to the next lowest whole number or integral multiple of $100. Exchange Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in the Exchange Notes and they may be subject to resale restrictions under applicable securities laws.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units.

Meetings of Unitholders

The Fund Declaration of Trust provides that meetings of Unitholders must be called and held for, among other things, the presentation of the audited annual financial statements of the Fund, the election of the Trustees independent of the Manager, the appointment of the auditors of the Fund and the transaction of such other business as Unitholders are entitled to vote upon. Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person holding personally or representing as proxies at least 10% of the votes attached to all outstanding Units will constitute a quorum for the transaction of business at all meetings. The Fund Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Limitation on Non-Resident Ownership

The Fund will be deemed not to be a "mutual fund trust" for the purposes of the Tax Act after any time when it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of non-resident persons within the meaning of the Tax Act, unless at that time all or substantially all of the Fund's property is property other than taxable Canadian property as defined by the Tax Act for those purposes. Accordingly, the Fund Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49.9% of the Units. The Trustees, in their sole discretion, may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware that the beneficial owners of at least 49.9% of the Units then outstanding are, or may be, non-residents of Canada or that such a situation is imminent, the transfer agent and registrar shall make a public announcement thereof and shall not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration that the person is not a non-resident of Canada. If, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that 49.9% or more of the Units are held by non-residents of Canada, the Trustees may send a notice to holders of Units who are non-residents of Canada, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days and, in the interim, shall suspend the voting and distribution rights attached to such Units. If the persons receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents of Canada within such period, the Trustees may, on behalf of such persons, sell such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale upon surrender of the certificates representing such Units.

Amendments to the Fund Declaration of Trust

The Fund Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Unitholders by Special Resolution. The Trustees, however, in their discretion and without the approval of the Unitholders, are entitled to make certain amendments to the Fund Declaration of Trust, including amendments:

(a) which are required for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or the Fund, including ensuring that the Fund continues to qualify as a "mutual fund trust" within the meaning of the Tax Act;

(b) which provide additional protection or added benefits for the Unitholders, provided that the Trustees receive a legal opinion from counsel to this effect;

(c) to remove any conflicts or inconsistencies in the Fund Declaration of Trust or to make minor corrections which are necessary or desirable and not prejudicial to the Unitholders; and

(d) which are necessary or desirable as a result of changes in tax laws.

Notwithstanding the foregoing, the Trustees may not amend the Fund Declaration of Trust in a manner which would result in the Fund failing to qualify as a "mutual fund trust" under the Tax Act.

Take-over Bids

The Fund Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or Associates or Affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the same terms on which the offeror acquired Units from Unitholders who accepted the take-over bid.

Conflicts of Interest Restrictions and Provisions

The Fund Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitations on the Fund and which are similar to those contained in the *Canada Business Corporations Act*. These provisions require each Trustee and officer to disclose to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his or her remuneration as a Trustee or officer of the Fund, (ii) insurance or indemnity or (iii) a contract or transaction with MPIIT or another wholly-owned subsidiary of the Fund.

Class B Exchangeable Units and Exchange Agreement

LTC Holding LP, a limited partnership established under the laws of the Province of Ontario, has issued (i) general partnership units to MPT LTC Holding Ltd. ("LTC Holding GP"), its general partner; (ii) Class A LP Units to MPIIT; and (iii) Class B Exchangeable LP Units (the "Class B Exchangeable Units") to MSHL, LWC and OLTCI (collectively, the "LSCLP Vendors"). The LSCLP Vendors own all of the Class B Exchangeable Units which have economic rights equivalent in all material respects to those of the Units. The distributions on the Class B Exchangeable Units are supported through an arrangement contained in an exchange agreement dated October 18, 2005 (the "Exchange Agreement") among the Fund, MPIIT, LTC Holding LP and the LSCLP Vendors (see "Material Contracts").

The Exchange Agreement and the provisions of the Class B Exchangeable Units grant the LSCLP Vendors the right to require LTC Holding LP and the Fund to directly or indirectly exchange each Class B Exchangeable Unit for a Unit on a one-for-one basis (subject to customary anti-dilution provisions and other conditions contained in the Exchange Agreement). The Exchange Agreement also provides that on or after October 18, 2015, so long as certain conditions are not in effect, any outstanding Class B Exchangeable Units will be automatically exchanged for Units on a one-for-one basis. Assuming the exchange of all of the Class B Exchangeable Units for Units of the Fund in accordance with the Exchange Agreement, the LSCLP Vendors would own, in aggregate, approximately 7% of the total number of Units outstanding following such exchange.

MSHL and LWC have agreed that they will not acquire any additional Units (other than pursuant to the exchange of the Class B Exchangeable Units or pursuant to a distribution reinvestment plan of the Fund) without the consent of the Fund before October 18, 2015. MSHL and LWC have also agreed not to sell more than 5% of the aggregate outstanding Units in any four-month period and to not vote any Units each receives on exchange of their Class B Exchangeable Units until they, together, hold 1% or less of the aggregate outstanding Units. In addition, the LSCLP Vendors have agreed not to transfer any of the Class B Exchangeable Units held by them, other than to an affiliate or spouse or child of the holder of such Class B Exchangeable Units or otherwise for estate planning purposes.

In the event of a take-over bid for the Units, a holder may exchange its Class B Exchangeable Units for Units on a conditional basis in order to tender to such bid or, if such holder does not tender and Units representing more than 90% of the aggregate number of outstanding Units and Units for which outstanding Class B Exchangeable Units may be exchanged are tendered to such bid, then the offeror will have the right to acquire the Class B Exchangeable Units held by such holder on the same terms as the Units were acquired under the take-over bid.

Convertible Debentures

The following is a summary of the material attributes of the Debentures and certain provisions of the Debenture Indenture (described below), which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Debenture Indenture. Reference should be made to the Debenture Indenture for a complete description of the Debentures and the full text of its provisions (see "Material Contracts").

Assumption of Convertible Debentures

The Debentures were originally issued by CPIF pursuant to a trust indenture between CPIF and Computershare Trust Company of Canada dated as of June 29, 2004 (the "CPIF Debenture Indenture"). In connection with the CPIF Acquisition, the CPIF Subsequent Acquisition Transaction was completed and, as a result, the outstanding Debentures due December 31, 2010 (the "Debenture Maturity Date") became obligations of the Fund. In connection therewith, CPIF, the Fund and Computershare Trust Company of Canada entered into a supplemental trust indenture dated as of June 26, 2007 (the "Supplemental Debenture Indenture"), supplementing and amending the CPIF Debenture Indenture (as supplemented and amended, the "Debenture Indenture"). The outstanding Debentures are listed on the Toronto Stock Exchange and commenced trading as securities of the Fund under the symbol MPT.DB on July 3, 2007.

As a consequence of the change in control of CPIF, holders of Debentures were entitled to exercise a put right to require the Fund (as successor to the obligations of CPIF under the Debentures) to purchase the Debentures of any holder properly exercising such put right (see "– Change of Control Put Right"). Debentures with an aggregate principal amount of $15.8 million were tendered to the Fund and cancelled pursuant to the exercise of the put right. As at March 27, 2009, $38.9 million principal amount of Debentures were outstanding.

Interest Payments

The Debentures bear interest at an annual rate of 6.75%, payable semi-annually in arrears on June 30 and December 31 in each year. At the option of the Fund and subject to applicable law, the Fund may deliver Units to be sold on behalf of the Fund in order to raise funds to satisfy all or any part of the Fund's obligations to pay interest on the Debentures, but, in any event, the holders of Debentures will be entitled to receive cash payments equal to the interest payable on the Debentures.

Change of Control Put Right

The Debenture Indenture provides holders of Debentures with a right, in the event of a change of control of the Fund, to require the Fund to purchase Debentures at 101% of the principal amount thereof, plus accrued and unpaid interest thereon. Subject to certain conditions, the Fund may satisfy the purchase price, in whole or in part, for any put Debentures through the issuance of Units and CVRs (see "– Contingency Value Receipts"). If, in the event of a change of control, 90% or more of the then outstanding Debentures are put to the Fund, the Fund has the right to redeem all of the remaining outstanding Debentures at the same price paid for the put Debentures.

Conversion Rights

The Debentures are convertible at the Debenture holder's option at any time prior to the earlier of the Debenture Maturity Date and a date fixed for redemption in accordance with the terms of the Debenture Indenture, at a conversion price such that approximately 54.7157 Units and 98.0392 CVRs will be issued for each $1,000 principal amount of Debentures converted, all subject to certain terms and conditions and in the manner set forth in the Debenture Indenture.

Redemption Rights

The Debentures were not redeemable on or prior to June 30, 2007. After June 30, 2007 and prior to July 1, 2009, the Debentures may be redeemed in whole or in part at the Fund's option provided that the market price for the Units is not less than 125% of the conversion price for the Debentures (as adjusted pursuant to the conversion price adjustment provisions of the Debenture Indenture). On or after July 1, 2009 and prior to the Debenture Maturity Date, the Debentures may be redeemed, in whole or in part, at the Fund's option, at a price equal to their principal amount plus accrued and unpaid interest. Subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the Debentures, in whole or in part, by delivering that number of Units equal to the principal amount of the Debentures divided by 95% of the market price for the Units at that time. An amount of CVRs would also be delivered together with the Units at a ratio of one CVR per 0.5581 Units delivered.

Priority

The Debentures are direct unsecured obligations of the Fund and are subordinated and postponed to any and all other indebtedness of the Fund including, for greater certainty and without limitation, claims of trade creditors of the Fund and any and all mortgages, debentures, charges or other encumbrances or financings in respect of the personal or real property of the Fund, which in each or all cases by the terms of the instrument creating or evidencing such indebtedness is not expressed to be *pari passu* with or subordinate in right of payment to the Debentures.

Limitation of Non-Resident Ownership

The Fund is subject to limitations on ownership of Units by non-residents of Canada, whether by way of conversion of Debentures to Units, repayment of Debentures by issuance of Units or otherwise (see also "Description of the Fund – Units – Limitation on Non-Resident Ownership"). Pursuant to the terms of the Debenture Indenture, the Debenture Trustee will, upon receipt of a written direction of the Fund, deliver to the registered owners of Debentures a form of declaration (which form will be prepared by the Fund) as to the jurisdictions in which beneficial owners of Debentures are resident. If the Fund notifies the Debenture Trustee in writing that, as a result of such declarations as to beneficial ownership, the beneficial owners of 49% or more of the Units then outstanding, on a fully diluted basis are, or may be, non-residents of Canada or that such a situation is imminent, the Fund may require the Debenture Trustee to make a public announcement thereof (the form and content of which will be prepared by the Fund) and the Fund may instruct in writing the Debenture Trustee not to accept a transfer of Debentures to a person unless the person provides a declaration that the person is not a non-resident of Canada. If, notwithstanding the foregoing, the Fund notifies the Debenture Trustee in writing that a majority of the Units on a fully-diluted basis are held by non-residents of Canada, the Fund may give written instructions to the Debenture Trustee to send a notice (which notice will be prepared by the Fund) to the registered owners of Debentures that holders of Debentures that are non-residents of Canada, chosen in inverse order to the order of acquisition or registration of the Debentures or in such manner as the Debenture Trustee may, on the advice of counsel, consider equitable and practicable, are required to sell their Debentures or a portion thereof within a specified period of not less than 60 days. If the holders of Debentures receiving such notice have not sold the specified number of Debentures or provided the Fund and the Debenture Trustee with satisfactory evidence that they are not non-residents of Canada within such period, the Fund may give written instructions to the Debenture Trustee that it will, on behalf of such holders of Debentures, effect the transfer of such Debentures to a resident holder as confirmed in the address provided, if necessary in the opinion of the Debenture Trustee acting reasonably, in a duly executed power of attorney, and, in the interim, suspend the rights attached to such Debentures, and their rights will be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Debentures; provided, however, that the Debenture Trustee will, as a condition precedent to any such transfer of Debentures, be provided with all necessary approvals and authorizations that it requires, including, if necessary in the opinion of the Debenture Trustee acting reasonably, a duly executed power of attorney showing the name and address of the new owner of such Debentures and any other documentation or actions that the Debenture Trustee may require. Notwithstanding the immediately preceding sentence, the Debenture Trustee will have no obligation to carry out any actions therein contemplated unless it is satisfied, acting reasonably, that taking such actions will not expose the Debenture Trustee to any material liability.

In addition, certain U.S. retirement plans are prohibited from purchasing or otherwise acquiring or holding, directly or indirectly, beneficial ownership of any Debentures at any time.

Contingency Value Receipts

In connection with the CPIF Acquisition, the Fund issued one contingency value receipt (a "CVR") and 0.5581 of a Unit for (a) each CPIF Unit properly deposited and not properly withdrawn to the CPIF Offer; and (b) each CPIF Unit redeemed pursuant to the CPIF Subsequent Acquisition Transaction. The CVRs are not listed for trading and, except for certain permitted transfers, are not assignable or otherwise transferable by holders thereof. The CVRs represent a contingent right of the holders to receive an amount calculated on the basis of 80% of the balance, if any, less certain costs and expenses, of US$7.593 million deposited in an escrow account established by PEET U.S. Holdings Inc. ("PEET"), now a subsidiary of CPOT, in connection with PEET's sale of Gas Recovery Systems, LLC ("GRS") prior to the CPIF Acquisition, and payments, if any, that might be made by the purchaser of GRS to PEET if the purchaser receives certain refunds from Commonwealth Edison Co. relating to GRS (after certain specified adjustments and deductions for certain payments, claims, costs and expenses). Further explanation of the terms and conditions of the CVRs, as well as the risks associated with the ownership of CVRs, can be found in the CPIF Offering Circular under heading "Contingency Value Receipts and Contingency Value Receipt Agreement" appearing on pages 38-50 and under the heading "CVRs issuable under the Offer may involve a number of risks" appearing on pages 61-64 of the CPIF Offering Circular, respectively, all of which (along with the associated definitions) are incorporated by reference into this AIF and available on the Canadian Securities Administrators' System for Electronic Document Analysis and Review ("SEDAR") at www.sedar.com.

MPIIT

MPIIT Declaration of Trust

MPIIT is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust as of March 15, 2004, as amended and restated as of April 16, 2004 (the "MPIIT Declaration of Trust").

The MPIIT Declaration of Trust contains provisions substantially similar to those of the Fund Declaration of Trust. The principal differences between MPIIT Declaration of Trust and the Fund Declaration of Trust are those described below. The description below is a summary only of certain provisions of the MPIIT Declaration of Trust, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the MPIIT Declaration of Trust. Reference should be made to the MPIIT Declaration of Trust for the full text of its provisions (see "Material Contracts").

The Fund is the sole holder of all of the outstanding units of MPIIT (the "MPIIT Units"). Pursuant to the Fund Declaration of Trust, the MPIIT Units held by the Fund are to be voted by the Fund to cause the appointment as trustees of MPIIT (the "MPIIT Trustees") of the same persons chosen by the vote of the Unitholders as Trustees. During the term of the Administration Agreement, the Manager is entitled to appoint one MPIIT Trustee, who may not be removed by the MPIIT Unitholder for so long as the Administration Agreement is in effect. The four MPIIT Trustees are the same individuals as those serving as the Trustees.

MPIIT Units are redeemable at any time on demand by the holders thereof upon delivery to MPIIT of a duly completed and properly executed notice requiring MPIIT to redeem MPIIT Units, in a form reasonably acceptable to the MPIIT Trustees, together with certificates representing the MPIIT Units to be redeemed. Upon receipt by MPIIT of the notice to redeem MPIIT Units, the holder of MPIIT Units tendered for redemption shall thereafter cease to have any rights with respect to such MPIIT Units other than the right to receive the redemption price for such MPIIT Units. The redemption price for each MPIIT Unit tendered for redemption is calculated in accordance with the terms of the MPIIT Declaration of Trust and is based on: (a) the cash redemption price per Unit; (b) the aggregate number of Units outstanding; (c) the aggregate unpaid principal amount and accrued interest thereon of indebtedness of MPIIT to the Fund (including the MPIIT Notes) and the fair market value of any other assets or investments held by the Fund (other than MPIIT Units); (d) the aggregate unpaid liabilities of the Fund; and (e) the aggregate number of MPIIT Units outstanding held by the Fund.

The aggregate redemption price payable by MPIIT in respect of any MPIIT Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of MPIIT Trustees, (i) in immediately available funds by cheque; (ii) by the issuance of such aggregate amount of a series of MPIIT Notes as is equal to the aggregate redemption price payable to such holder of MPIIT Units rounded down to the nearest $100, with the balance paid in immediately available funds by cheque; or (iii) by any combination of funds and such aggregate amount of a series of MPIIT Notes as the MPIIT Trustees shall determine in their discretion.

MPIIT's distribution policy is to make monthly cash distributions to the Fund of its net monthly cash receipts, after satisfaction of its interest obligations, if any, and less any estimated cash amounts required for expenses and other obligations of MPIIT, any cash redemptions or repurchases of MPIIT Units or MPIIT Notes, and any tax liability. Such distributions are intended to be received by the Fund prior to its related cash distribution to Unitholders.

CPOT

CPOT Trust Indenture

CPOT is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a trust indenture made as of October 31, 2001, as amended and restated as of May 9, 2005 and as further amended and restated as of June 26, 2007 (the "CPOT Trust Indenture"). CPOT's activities are restricted to the conduct of the business of, and the ownership, operation and lease of assets and property in connection with, the generation, transmission, distribution and purchase and sale of electricity, having investments and other direct or indirect rights in companies or other entities involved in the business of the generation, transmission, distribution, purchase and sale of electricity, and engaging in all activities ancillary or incidental thereto.

The CPOT Trust Indenture contains provisions substantially similar to those of the MPIIT Declaration of Trust. The principal differences between the CPOT Trust Indenture and the MPIIT Declaration of Trust are those described below. The description below is a summary only of certain provisions of the CPOT Trust Indenture, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the CPOT Trust Indenture. Reference should be made to the CPOT Trust Indenture for the full text of its provisions (see "Material Contracts").

The Fund is the sole holder of all of the outstanding units of CPOT (the "CPOT Units"). As long as the Fund is a reporting issuer (or equivalent) in any jurisdiction in Canada, a majority of the CPOT Trustees must be independent of CPOT, as determined in accordance with NI 52-110 (a "CPOT Independent Trustee") During the term of the CPOT Management Agreement, the Manager is entitled to appoint two CPOT Trustees and to remove such CPOT Trustees provided that at the time of such appointment there are at least five CPOT Trustees, failing which the Manager is entitled to appoint one CPOT Trustee. The remaining CPOT Trustees will be appointed by the CPOT Unitholder at annual or special meetings of the CPOT Unitholder. The CPOT Trustees appointed by the CPOT Unitholder must be CPOT Independent Trustees.

CPOT Units are redeemable at any time on demand by the holders thereof upon delivery to CPOT of a duly completed and properly executed notice requiring CPOT to redeem CPOT Units, in a form reasonably acceptable to the CPOT Trustees, together with certificates representing the CPOT Units to be redeemed. Upon receipt by CPOT of the notice to redeem CPOT Units, the holder of CPOT Units tendered for redemption shall thereafter cease to have any rights with respect to such CPOT Units other than the right to receive the redemption price for such CPOT Units. The redemption price for each CPOT Unit tendered for redemption is calculated in accordance with the terms of the CPOT Trust Indenture and is based on: (a) the cash redemption price per Unit; (b) the aggregate number of Units outstanding; (c) the aggregate unpaid principal amount and accrued interest thereon of indebtedness of CPOT to the Fund (including CPOT Notes) and the fair market value of any other assets or investments held by the Fund (other than CPOT Units); (d) the aggregate unpaid liabilities of the Fund; and (e) the aggregate number of CPOT Units outstanding held by the Fund.

The aggregate redemption price payable by CPOT in respect of any CPOT Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of CPOT Trustees, (i) in immediately available funds by cheque; (ii) by the issuance of such aggregate amount of a series of CPOT Notes as is equal to the aggregate redemption price payable to such holder of CPOT Units rounded down to the nearest $100, with the balance paid in immediately available funds by cheque; or (iii) by any combination of funds and such aggregate amount of a series of CPOT Notes as the CPOT Trustees shall determine in their discretion.

CPOT may call for redemption at any time all or any part of the outstanding CPOT Units other than CPOT Units registered in the name of the Fund.

CPOT's distribution policy is to make monthly cash distributions to the Fund of its net monthly cash receipts after satisfaction of its interest obligations, if any, plus any amounts transferred from CPOT's reserve account, and less any estimated cash amounts required for expenses and other obligations of CPOT, any amounts determined by the CPOT Trustees to be required for foreseeable capital expenditures, any cash redemptions or repurchases of CPOT Units or CPOT Notes, any tax liability, and subject to reasonable adjustment by the CPOT Trustees for the levelization of monthly distributions throughout the year. Such distributions are intended to be received by the Fund prior to its related cash distribution to Unitholders.

MANAGEMENT OF THE FUND

Trustees

The Fund Declaration of Trust provides that the Fund must have a minimum of four and a maximum of 10 Trustees, as determined from time to time by the Trustees. Presently, the Fund has four Trustees. Each of the Trustees, other than the Trustee appointed by the Manager in accordance with the Administration Agreement, is elected by Unitholders and is "independent" (as such term is defined under Canadian Securities Administrators' National Instrument 52-110 — *Audit Committees* ("NI 52-110")). During the term of the Administration Agreement, the Manager is entitled to appoint one Trustee. The term of office of any Trustee continues until: (a) the next annual meeting of Unitholders following his or her election or appointment; (b) the date on which his or her successor is elected or appointed or earlier if he or she dies, resigns or is removed or disqualified; or (c) his or her term of office is terminated for any other reason in accordance with the Fund Declaration of Trust and, in the case of the Trustee appointed by the Manager, the Administration Agreement.

Subject to the terms and conditions of the Fund Declaration of Trust, the Trustees have full, absolute and exclusive power, control and authority over the assets of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the assets of the Fund and they are to supervise the investments and conduct the affairs of the Fund. The Trustees must act honestly and in good faith with a view to the best interests of all the Unitholders and, in connection with that duty, they must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Fund has an Audit Committee and a Governance Committee, each of which has a minimum of three Trustees all of whom must be "independent" (as such term is defined under NI 52-110). The members of such committees are indicated below.

The name, province or state and country of residence, and principal occupation for the last five years for each Trustee are as follows:

Name, Jurisdiction of Residence and Date elected Trustee	Principal Occupation and Employment
Derek Brown (1)(2)(3) .... Ontario, Canada Trustee since March 15, 2004	Derek Brown is a corporate director and currently sits on the boards of SNP Split Corp., Sixty Split Corp. and DALSA Corporation. Mr. Brown is also member of the finance committee of the Canadian Opera Foundation. From 1996 to 2005, Mr. Brown was a Professor of Finance (adjunct) at the University of Toronto, prior to which he was a Vice President and Director of RBC Dominion Securities Inc. From 1997 to 2003, Mr. Brown was a Commissioner of the Ontario Securities Commission. Mr. Brown earned a Bachelor of Commerce and Bachelor of Laws degree from Dalhousie University as well as a Doctor of Laws. He is also a Chartered

Business Valuator and was a Governor of the Canadian Institute of Chartered Business Valuators from 1998 to 2003.

Patrick J. Lavelle (1)(2)(5) .... Ontario, Canada Trustee since April 15, 2004	Patrick J. Lavelle is the Chairman and Chief Executive Officer of Patrick J. Lavelle and Associates, a strategic management consulting firm which he established in 1991. Mr. Lavelle is also the Chairman of Specialty Foods Group Income Fund and a director of the Ontario Financing Authority and a trustee of Retrocom Mid-Market Real Estate Investment Trust. Until March 2002, Mr. Lavelle was the Chairman and Chief Executive Officer of Unique Broadband Systems Inc. He previously held the position of Chairman of Export Development Canada from 1998 to 2001 and he served a three-year term as Chairman of the Board of the Business Development Bank of Canada commencing in 1994.
François R. Roy (1)(2)(4) .... Québec, Canada Trustee since March 15, 2004	François R. Roy is Vice-Principal (Administration and Finance) of McGill University. Mr. Roy is also a director or trustee (as applicable) and a member of the audit committees of Pixman Nomadic Media Inc., SFK Pulp Fund and Transcontinental Inc. Mr. Roy was the Chief Financial Officer of Telemedia Corporation between March 2000 and May 2003.
Stephen Mentzines (6) .... New York, USA Trustee since November 1, 2007	Stephen Mentzines is a senior managing director of the Macquarie group and head of Macquarie Capital Funds – North America. He is a key member of the senior management team of Macquarie Capital Funds which, as of December 31, 2008, managed $45 billion of equity under management globally. Mr. Mentzines has previously worked within the Macquarie group as the global Chief Operating Officer of Macquarie Capital Funds, joint Chief Financial Officer/Chief Operating Officer of Macquarie Capital Funds' largest listed fund, Macquarie Infrastructure Group, and had primary responsibility for the launch and early development of Macquarie Capital Funds' activities in the Middle East. Prior to joining the Macquarie group in 1998, Mr. Mentzines worked at Westpac Banking Corporation for eight years as Chief Financial Officer of several operating divisions, including the international and institutional banking group, and worked for KPMG LLP both in Sydney and London in the 1980s. He graduated with a bachelor's degree in economics from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. Mr. Mentzines is also the Alternate Chairman of Macquarie Infrastructure Company, which is listed on the New York Stock Exchange.

Notes:

(1) Member of the Audit Committee of the Board.
(2) Member of the Governance Committee of the Board.
(3) Chairman of the Board.
(4) Chairman of the Audit Committee of the Board.
(5) Chairman of the Governance Committee of the Board.
(6) Appointed by the Manager pursuant to the Administration Agreement.

To the knowledge of the Fund, no Trustee or executive officer of the Fund (or a personal holding company of such person) (A) is or has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; (B) is or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; (C) is or has been in the last 10 years, a director, trustee, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (a) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director, trustee, or executive officer was acting in the capacity as director, trustee, chief executive officer or chief financial officer or (b) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director, trustee, or executive officer ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer; (D) is or has been in the last 10 years, a director, trustee, or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (E) has in the last 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets, except for the following:

> Mr. Lavelle ceased to be a director of Proprietary Industries Inc. ("Proprietary") on February 17, 2005. Prior to Mr. Lavelle being appointed a director of Proprietary, the Alberta Securities Commission (the "ASC") and certain other securities regulatory authorities issued cease trade orders in connection with allegations that certain of Proprietary's financial statements were not prepared and/or filed in accordance with applicable requirements. The ASC has since approved a settlement agreement with Proprietary and the relevant securities authorities approved the lifting of the cease trade orders previously applicable to Proprietary's shares. Mr. Lavelle was also a director of Slater Steel Inc. when it filed for protection on June 2, 2003 under the *Companies' Creditors' Arrangement Act* (Canada) (the "CCAA") in Canada and under Chapter 11 of the U.S. Bankruptcy Code in the United States and Mr. Lavelle was also a director of SR Telecom Inc., when it filed for protection under the CCAA on November 19, 2007, and Tahera Diamond Corporation, which filed for protection under the CCAA on January 16, 2008.

<u>Executive Officers</u>

The name, province or state and country of residence, and principal occupation for the last five years for each executive officer of the Fund as at March 27, 2009 are as follows:

Name and Jurisdiction of Residence	Fund Office	Principal Occupation and Employment
Gregory J. Smith Ontario, Canada	President and Chief Executive Officer	Managing Director of the Macquarie group's Macquarie Capital Funds division in North America (1)
Harry Atterton Ontario, Canada	Vice President, Chief Financial Officer and Secretary	Managing Director of the Macquarie group's Macquarie Capital Funds division in North America (2)
Stuart M. Miller Ontario, Canada	Vice President and General Counsel	Senior Vice President and General Counsel of the Macquarie group's Macquarie Capital Funds division in North America (3)
Sarah Borg-Olivier Ontario, Canada	Vice President	Senior Manager of the Macquarie group's Macquarie Capital Funds division in North America (4)

<u>Notes:</u>

(1) Mr. Smith was appointed President and Chief Executive Officer of the Fund effective December 5, 2005. Prior to joining the Macquarie group's Macquarie Capital Funds division in October 2003, Mr. Smith was Managing Director of RBC Capital Partners – Mezzanine Fund since June 2001.

(2) Prior to joining the Macquarie group's Macquarie Capital Funds division in January 2005 and being appointed Vice President and Chief Financial Officer of the Fund effective March 2005 and Secretary of the Fund effective May 2006, Mr. Atterton was a Firm Director with Deloitte & Touche LLP in its financial advisory group.

(3) Mr. Miller joined the Macquarie group's Macquarie Capital Funds division in November 2006 and was appointed Vice President and General Counsel of the Fund in February 2007. Prior to joining the Macquarie group, Mr. Miller was the Executive Director, Corporate Services and Compliance and Corporate Secretary of Fairmont Hotels & Resorts Inc. and Senior Legal Counsel and Secretary of Legacy Hotels Real Estate Investment Trust since June 2005. Prior to June 2005, Mr. Miller was a partner with McCarthy Tétrault LLP, a Canadian law firm.

(4) Ms. Borg-Olivier joined the Macquarie group's Macquarie Capital Funds division in September 2006 and was appointed Vice President, Investor Relations of the Fund effective May 6, 2008. Prior to joining Macquarie group, Ms. Borg-Olivier was Director of Communications of PreMD Inc. since 2004.

As at March 27, 2009, the Trustees and the executive officers of the Fund as a group own, directly or indirectly, or exercise control or direction over 79,727 Units, representing less than 1% of the outstanding number of Units, and no other voting securities of the Fund or any subsidiary thereof.

Audit Committee Information

Charter of the Audit Committee

The text of the Charter of the Audit Committee of the Board of Trustees of the Fund (the "Audit Committee") is set out in Schedule "A" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is composed of three Trustees, namely Derek Brown, Patrick Lavelle, and François Roy (Chair). Each member of the Audit Committee is "independent" and "financially literate", each as defined under NI 52-110.

Relevant Education and Experience of the Audit Committee Members

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an member of the Audit Committee are set forth in their respective biographies above under the heading "– Trustees".

External Audit Fees

The following table outlines the fees billed to the Fund by PricewaterhouseCoopers LLP, the Fund's external auditors, for each of the Fund's last two fiscal years, categorized by audit fees, audit-related fees, tax fees, and all other fees and includes a description of the nature of services comprising such non-audit fees.

	January 1, 2007 - December 31, 2007	January 1, 2008 - December 31, 2008
Audit Fees	$293,679	$311,791
Audit-Related Fees(1)	$141,240	$131,264
Tax Fees(2)	$87,707	$174,640
All Other fees(3)	$30,507	$51,820
Total	$553,133	$669,515

Notes:

(1) The Fund's audit-related fees include fees paid to the Fund's auditors for statutory audits, attestation services and assistance with and review of documents filed with regulators.

(2) Tax fees are services performed by the Fund's auditors' tax division except those tax services related to the audit. These services include fees for tax compliance, tax planning and tax advice.

(3) Other fees include accounting related fees regarding conversion to International Financial Reporting Standards as well as fees for French translation of financial statements and management's discussion and analysis in connection with the Fund's securities regulatory filings.

The Fund's Audit Committee has implemented a policy restricting the services that may be provided by the Fund's external auditors. Any service to be provided by the Fund's external auditors must be permitted by law and by the policy, and must be pre-approved by the Audit Committee pursuant to the policy. The policy provides for the annual pre-approval of specific types of services, and gives detailed guidance to management as to the specific services that are eligible for such annual pre-approval. All other services must also be specifically pre-approved by the Audit Committee as they arise throughout the year. In making its determination regarding services to be provided by the Fund's external auditors, the Audit Committee considers the compliance with the policy and the provision of services in the context of avoiding impact on auditor independence. This includes considering applicable regulatory requirements and guidance and whether the provision of the services would place the auditors in a position to audit their own work, result in the auditors acting in the role of the Fund's management or place the auditors in an advocacy role on behalf of the Fund. Four times a year, the Fund's Vice President, Chief Financial Officer and Secretary makes a presentation to the Audit Committee detailing the services performed by the Fund's external auditors on a year-to-date basis and provides details of any proposed assignments for consideration by the Audit Committee and pre-approval, if appropriate.

The Audit Committee has determined that PricewaterhouseCoopers LLP's provision of non-audit services during the financial year ending December 31, 2008 was compatible with maintaining its independence.

Environmental and Social (including Occupational Health and Safety) Responsibility Management Policy

The Fund adopted an updated environmental and social responsibility management policy (the "ESRM Policy") in February 2007, which incorporates its occupational health and safety ("OH&S") policy. In general, the ESRM Policy aims to ensure compliance by the Fund with applicable laws and regulations relating to environmental and social responsibility matters. The Fund's ongoing environmental and social responsibilities are managed as follows:

- *Asset acquisition due diligence* – Where such information is available, environmental and social responsibilities are considered by the Fund during the due diligence process in its review and evaluation of possible acquisitions. The asset's environmental and OH&S risk management frameworks are reviewed as part of the broader risk management framework assessment. Where regulatory obligations exist, the Fund views such obligations as minimum standards for environmental and social responsibility management post-acquisition. The ESRM Policy outlines the key steps to be taken during the due diligence phase, including engaging an appropriate expert to identify issues and obligations relating to any investment.

- *Ongoing management* – Each asset owned by the Fund maintains its own environmental and OH&S risk management framework and support infrastructure to manage its obligations and risks. The Fund's ability to control or influence such a framework and infrastructure differs based on its level of ownership/control and the regulatory framework that governs environmental and OH&S risks. In general, the regulatory/governing framework and the minimum standards under which an asset operates is not controlled by the Fund or its assets. It is the Fund's policy to confirm compliance by its assets with such minimum standards. For each asset, Board reporting enables compliance with environmental and OH&S requirements to be monitored and issues to be identified and resolved on a timely basis.

- *Stakeholder reporting* – The ESRM Policy recognizes the importance of environmental and social responsibility management by requiring the Fund to report annually to Unitholders regarding environmental and social responsibility management, including a summary of the ESRM Policy and key responsibilities, and a statement on the regulatory compliance of the applicable assets during the reporting period.

Administration Agreement

The description below is a summary only of certain provisions of the Administration Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Administration Agreement. Reference should be made to the Administration Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, and MPIIT have entered into the Administration Agreement pursuant to which the Manager has been appointed as administrative agent of the Fund and MPIIT, subject to the supervision of the Trustees and the MPIIT Trustees, as applicable. Under the Administration Agreement, the Manager provides or arranges for administrative services to the Fund and MPIIT, as applicable, including legal, investor relations, and financial accounting and administration services. In addition, under the Administration Agreement, the Manager assists in and supervises the analysis of potential acquisitions and dispositions and carries out or supervises the making of acquisitions, dispositions or investments, as agreed by the Manager and subject to the control and direction of the Trustees and the MPIIT Trustees, as applicable. In connection with the Administration Agreement, the Manager has supplied the services of persons to serve as the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Secretary of each of the Fund and MPIIT. Such services are provided on an "as needed basis" and are not full time positions.

In consideration for providing the services under the Administration Agreement, the Manager receives: (i) an annual management fee equal to $100,000, subject to adjustment for inflation; and (ii) payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer, the Vice President, Chief Financial Officer and Secretary of the Fund and MPIIT). In the event that the Fund or MPIIT were to acquire assets other than through Cardinal LP or another entity for which the Manager is appointed manager, the annual fee will be increased by an amount agreed to by the Fund or MPIIT, as applicable, and the Manager, as approved by the Trustees and the MPIIT Trustees, as applicable, independent of the Manager, taking into consideration the increased service levels required and the resource requirements imposed as a result of or created by such acquisition. The Manager earned a management fee under the Administration Agreement in the amount of $108,344 for the year ended December 31, 2008. Total costs incurred by the Manager in the amount of $3,266,798 were recoverable for the same period pursuant to the Administration Agreement, the Cardinal LP Management Agreement, the LTC Holding LP Management Agreement and the CPOT Management Agreement (each described below). All cost recovery was on an "as incurred" basis without any margin or profit component.

Under the Administration Agreement, a number of material actions may not be authorized by the Manager without first obtaining the approval of a majority of the Trustees or MPIIT Trustees, as applicable, and/or, in certain circumstances, the approval of a majority of the Trustees or the MPIIT Trustees, as applicable, independent of the Manager. Included among such material actions are the Manager, on behalf of the Fund or MPIIT, entering into any transaction with the Manager or an affiliate of the Manager and amending the terms of the Administration Agreement or the fees payable thereunder.

The Administration Agreement has an initial 20-year term ending on April 30, 2024 and will be automatically renewed for additional five-year terms unless terminated in accordance with its terms. In addition to standard termination provisions, the Administration Agreement provides that the Manager may also terminate at will upon 90 days' prior written notice. The Fund and MPIIT may terminate the Administration Agreement upon: (i) 90 days' prior written notice should the Manager cease to be a wholly-owned subsidiary of at least one of Macquarie Bank Limited, Macquarie North America Ltd. ("MNAL"), Macquarie North America Holdings Ltd. or Macquarie Canada Holdings Ltd. at any time during the term of the Administration Agreement without the prior written consent of the Fund and MPIIT, which consent may not be unreasonably withheld; (ii) the termination of all outstanding management agreements between the Manager or its affiliates, Cardinal LP and any other subsidiaries and any subsidiaries of the Fund or MPIIT; or (iii) 90 days' prior written notice if the lease for the Cardinal Facility expires and a subsidiary of the Fund no longer operates the Cardinal Facility and the Cardinal Facility then represents all or substantially all of the assets of the Fund.

Cardinal LP Management Agreement

The description below is a summary only of certain provisions of the Cardinal LP Management Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the Cardinal LP Management Agreement. Reference should be made to the Cardinal LP Management Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, MPIIT and Cardinal LP have entered into the Cardinal LP Management Agreement pursuant to which the Manager has been engaged to provide or cause to be provided certain management services to Cardinal LP for the Cardinal Facility, as well as any facilities that may be acquired directly or indirectly by Cardinal LP in the future, including overseeing operations and maintenance of the Cardinal Facility, human resources, legal, and financial accounting and administration. In addition, under the Cardinal LP Management Agreement, the Manager assists in and supervises the analysis of potential acquisitions and dispositions and carries out or supervises the making of acquisitions, dispositions or investments, as agreed by the Manager and subject to the control and direction of the board of directors of Cardinal GP. In connection with the Cardinal LP Management Agreement, the Manager has supplied the services of persons to serve as the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Secretary of Cardinal GP. Such services are provided on an "as needed basis" and are not full time positions. The obligations of Cardinal LP under the Cardinal LP Management Agreement are guaranteed by the Fund and MPIIT.

In consideration for providing the services under the Cardinal LP Management Agreement, the Manager receives: (i) an annual management fee equal to $575,000, subject to adjustment for inflation and future acquisitions; (ii) payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Secretary of Cardinal GP); and (iii) an incentive fee based on Distributable Cash per Unit. The Manager earned a management fee in the amount of $622,979 and an incentive fee of $539,414 for the year ended December 31, 2008 under the Cardinal LP Management Agreement. See "– Administration Agreement" for information regarding cost reimbursement.

Under the Cardinal LP Management Agreement, a number of material actions may not be authorized by the Manager without first obtaining the approval of a majority of the directors of Cardinal GP and/or, in certain circumstances, the approval of a majority of the directors of Cardinal GP independent of the Manager. Included among such material actions are the Manager, on behalf of Cardinal GP, entering into any transaction with the Manager or an affiliate of the Manager and amending the terms of the Cardinal LP Management Agreement or the fees payable thereunder.

The Cardinal LP Management Agreement has an initial 20-year term ending on April 30, 2024 and will be automatically renewed for additional five-year terms unless terminated in accordance with its terms. In addition to standard termination provisions, the Cardinal LP Management Agreement provides that the Manager may also terminate at will upon 90 days' prior written notice. Cardinal LP may terminate the Cardinal LP Management Agreement upon 90 days' prior written notice: (i) should the Manager cease to be a wholly-owned subsidiary of at least one of Macquarie Bank Limited, MNAL, Macquarie North America Holdings Ltd. or Macquarie Canada Holdings Ltd. at any time during the term of the Cardinal LP Management Agreement without the prior written consent of Cardinal LP, which consent may not be unreasonably withheld; or (ii) if the lease for the Cardinal Facility expires and a subsidiary of the Fund no longer operates the Cardinal Facility and the Cardinal Facility then represents all or substantially all of the assets of the Fund.

LTC Holding LP Management Agreement

The LTC Holding LP Management Agreement contains provisions substantially similar to those of the Cardinal LP Management Agreement. The principal differences between the LTC Holding LP Management Agreement and the Cardinal LP Management Agreement are those described below. The description below is a summary only of certain provisions of the LTC Holding LP Management Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the LTC Holding LP

Management Agreement. Reference should be made to the LTC Holding LP Management Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, MPIIT and LTC Holding LP have entered into the LTC Holding LP Management Agreement pursuant to which the Manager has been engaged to provide or cause to be provided certain management services to LTC Holding LP in respect of its investment in MLTCLP, as well as any other investments that may be acquired directly or indirectly by LTC Holding LP in the future. The LTC Holding LP Management Agreement has an initial term ending on April 30, 2024 and will be automatically renewed for additional five-year terms unless terminated in accordance with its terms.

In consideration for providing the services under the LTC Holding LP Management Agreement, the Manager receives: (i) an annual management fee equal to $450,000, subject to adjustment for inflation and future acquisitions; (ii) payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer and the Vice President, Chief Financial Officer, and Secretary of LTC Holding GP); and (iii) an incentive fee based on Distributable Cash per Unit. The Manager earned a management fee in the amount of $478,223 and an incentive fee of $481,354 for the year ended December 31, 2008 under the LTC Holding LP Management Agreement. See "– Administration Agreement" for information regarding cost reimbursement.

CPOT Management Agreement

The CPOT Management Agreement contains provisions substantially similar to those of the Cardinal LP Management Agreement. The principal differences between the CPOT Management Agreement and the Cardinal LP Management Agreement are those described below. The description below is a summary only of certain provisions of the CPOT Management Agreement, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the CPOT Management Agreement. Reference should be made to the CPOT Management Agreement for the full text of its provisions (see "Material Contracts").

The Manager, the Fund, CPOT and CPIF have entered into the CPOT Management Agreement pursuant to which the Manager has been engaged to provide or cause to be provided certain management services to CPIF and CPOT in respect of the Erie Shores Wind Farm, the Biomass Facilities and the Waterpower Facilities as well as any other investments that may be acquired directly or indirectly by CPOT in the future. In consideration for providing the services to CPOT under the CPOT Management Agreement the Manager receives: (i) an annual management fee equal to $650,000, subject to adjustment for inflation and future acquisitions; and (ii) an incentive fee based on CPOT Distributable Cash per Unit. Further, in respect of services provided to each of CPOT and CPIF, the Manager receives payments representing cost reimbursement (except for compensation payable by the Manager to the persons whose services may be supplied to act as the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Secretary of CPOT or CPIF). Lastly, for the services provided by the Manager to CPIF, the Fund will pay an amount that is to be agreed upon between the Manager and CPIF and that is to be approved by the trustee of CPIF in accordance with the terms set out in the CPOT Management Agreement. The Manager earned a management fee in the amount of $664,260 and an incentive fee of $580,761 for the year ended December 31, 2008 under the CPOT Management Agreement. See "– Administration Agreement" for information regarding cost reimbursement.

The CPOT Management Agreement has an initial term ending on April 30, 2024 and which may be renewed at the option of the Manager for two additional five-year terms. The CPOT Management Agreement will automatically terminate with respect to CPIF upon the wind-up of CPIF. Also, CPOT or CPIF, with respect to itself, may terminate the CPOT Management Agreement upon 90 days' prior written notice: (i) should the Manager cease to be a wholly-owned subsidiary or affiliate of at least one of Macquarie Bank Limited, Macquarie Group Limited, Macquarie Corporate Finance Limited, Macquarie Corporate Finance Holdings Pty Ltd., MNAL or Macquarie Canada Holdings Ltd. at any time during the term of the CPOT Management Agreement without the prior written consent of CPOT, which consent may not be unreasonably withheld; or (ii) if CPOT sells all or substantially all of its assets.

Non-Exclusivity and Rights of First Offer

Pursuant to the terms of the Administration Agreement and the Management Agreements, the Manager's personnel may be employed or contracted directly by the Manager or may be seconded from one or more of the Manager's Affiliates on a full-time or part-time basis. Such personnel are not required to devote their time exclusively to or for the benefit of the Fund, MPIIT, Cardinal LP, LTC Holding LP or CPOT, as applicable.

The Manager, its Affiliates, and its employees or agents may be engaged or invest directly or indirectly in a variety of other companies or other entities involved in owning, managing or advising on or otherwise engaged in the business of the generation, production, transmission, distribution, purchase, and sale of electricity, other forms of energy-related projects, infrastructure projects, utility projects, seniors' housing or other businesses. Notwithstanding the foregoing and subject to certain exceptions (including those described below), the Manager and its Canadian Affiliates are prohibited from acquiring, as principal, an interest in operating power generating facilities in Canada or the United States when such investments would meet the Fund Acquisition and Investment Guidelines, unless such interest has first been offered to the Fund on the terms available to the Manager or the Fund has otherwise been given the opportunity to pursue such investment, subject to the terms of the Administration Agreement and the Management Agreements, as applicable. These prohibitions and rights of first opportunity do not apply to the acquisition of or other investment in operating power facilities in Canada or the U.S. by a fund or entity that is managed by the Manager, or an Affiliate of the Manager, or where the Manager, or an Affiliate of the Manager, is the general partner of such fund or entity, including, as applicable, Macquarie Essential Assets Partnership ("MEAP").

Affiliates of the Manager currently act as the manager of a number of infrastructure investment funds whose investment criteria are broad enough to encompass investments in operating power generation facilities in Canada and the U.S. In particular, an Affiliate of the Manager is the general partner of MEAP, which invests in regulated and other essential infrastructure assets. Neither MEAP nor any of these other funds are primarily focused on operating power generation facilities in Canada and the U.S. and they do not currently own any operating power generation facilities. Each of the Administration Agreement and the Cardinal LP Management Agreement contain a protocol to address potential conflicts of interest which may arise as a result of the management of MEAP and future infrastructure investment vehicles by the Manager's Affiliates. In addition, the other Management Agreements contain similar protocols to address potential conflicts of interest which may arise as a result of the management of existing and future infrastructure investment vehicles by the Manager's Affiliates. However, based on the investment criteria of MEAP and the Fund, the Manager believes that it is unlikely that a conflict of interest will arise in relation to the investment in operating power generation facilities in Canada and the United States.

Subject to certain exceptions contained in the Administration Agreement, the Manager and its Canadian Affiliates will grant a right of first offer to the Fund in respect of any ownership interest held by the Manager or any of its Canadian Affiliates as principal in any operating power generation facilities in Canada or the U.S. that meets the Fund's investment criteria that the Manager or its Canadian Affiliate intends to sell or offer to a third party purchaser or to monetize through a structure similar to the Fund. However, if the ownership interest meets the investment criteria of MEAP and the operating power generation facility is located in Canada or the U.S., the Manager or its Canadian Affiliate will first offer the ownership interest to MEAP before offering it to the Fund. The Manager believes that it is unlikely that an investment opportunity will arise in relation to an operating power generation facility located in Canada or the U.S. that will meet the acquisition and investment guidelines of both MEAP and the Fund. The foregoing right of first offer does not apply to the disposition of operating power facilities in Canada or the U.S. by a fund or entity that is managed by the Manager or an Affiliate of the Manager.

The Manager and its Canadian Affiliates will also not, during the term of the Management Agreements or the Administration Agreement, become managers of an income fund or a similar investment vehicle listed on a stock exchange in Canada whose primary investment objective is to invest in operating power generation facilities or LTC homes in Canada.

CONFLICTS OF INTEREST

Certain conflicts of interest could arise as a result of the relationships among the Manager, the Fund, MPIIT, Cardinal GP, Cardinal LP, LTC Holding LP, LTC Holding GP and CPOT. The Fund, MPIIT, Cardinal GP, LTC Holding GP and CPOT are dependent upon the Manager, through the Administration Agreement and the Management Agreements, for management and administrative services relating to the Fund, MPIIT, Cardinal LP's business, CPOT's business and LTC Holding LP's business. The officers of the Fund are also officers of the Manager. The directors and officers of the Manager have a fiduciary duty to manage the Manager in the best interests of the Manager, subject to the terms of the Administration Agreement and the Management Agreements. The Administration Agreement and the Management Agreements provide that a number of material actions may not be authorized by the Manager without first obtaining the approval of a majority of the trustees or directors of the Fund, MPIIT, Cardinal GP, LTC Holding GP or CPOT, as applicable, and/or, in certain circumstances, the approval of a majority of the trustees or directors of the applicable entity independent of the Manager. See "Management of the Fund – Administration Agreement", "Management of the Fund – Cardinal LP Management Agreement", "Management of the Fund – LTC Holding LP Management Agreement", "Management of the Fund – CPOT Management Agreement", and "Management of the Fund – Non-Exclusivity and Rights of First Offer".

As at the date of this Annual Information Form, the Fund is not aware of any conflict of interest in any transaction since the creation of the Fund or in any proposed transaction that has materially affected or will materially affect the Fund.

RISK FACTORS

The Fund, its subsidiaries and the facilities in which they have invested face a number of risks and uncertainties, including the risk factors set out below that could have an adverse impact on their businesses, operating results and financial condition, which could, in turn, adversely affect the Fund's ability to pay distributions to Unitholders. The Fund attempts to mitigate the risks and uncertainties that may affect its performance through a process of identifying, assessing, reporting and managing risks of significance. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form and in the Fund's filings with Canadian securities regulators from time to time. Holders of CVRs should refer to "Description of the Fund – Contingency Value Receipts" for information regarding risk factors relating to the CVRs.

Risks Related to Power Infrastructure

Operational Performance

The Fund's revenue is proportional to the amount of electrical energy generated by the Power Infrastructure Facilities. The Power Infrastructure Facilities are subject to risks related to premature wear or failure, defects in design, material or workmanship and longer than anticipated down times for maintenance and repair. These risks are partially mitigated by the proven nature of the technologies employed at each facility, regular maintenance and the design of each facility.

The operational performance of the Erie Shores Wind Farm and the Waterpower Facilities are dependent upon wind speed and density and water flows, respectively. This risk is partially offset by the geographic diversification of the hydro-facilities in the three different watersheds.

Any of these circumstances could have an adverse impact upon the business, operating results, and financial condition of one or more of the Power Infrastructure Facilities, which could, in turn, adversely affect the Fund's results and its ability to pay distributions on the Units.

Power Purchase Agreements

Most of the electricity that is generated by the Power Infrastructure Facilities is sold to large utilities or creditworthy customers under long-term PPAs, which provide a specified rate for a defined period of time.

Additionally, certain excess power generated by certain of the facilities may be sold in the open market. As a result, distributions to Unitholders depend, in part, upon prices paid for energy sold in the open market.

As PPAs expire, there can be no assurance that the Power Infrastructure Facilities will be able to renegotiate or enter into power supply contracts on terms that are commercially reasonable, if at all. If the Power Infrastructure Facilities choose to sell the power they produce on the open market, there can be no assurance that the market price they will receive for the electricity so offered will exceed the marginal cost of operations.

Fuel

The supply of natural gas required by the Cardinal Facility is contracted under the Cardinal GPA, which expires on May 1, 2015. The Whitecourt Facility and Chapais Facility each have long-term contracts with substantial forest products companies to supply a majority of their respective wood waste fuel requirements (see "Narrative Description of the Business – Whitecourt Facility – Wood Waste Supply Arrangements" and "Narrative Description of the Business – Chapais Facility – Wood Waste Supply Arrangements", respectively). Upon the expiry of each of these supply agreements, the Fund will have to renegotiate the agreement or enter into a new supply agreement. There can be no assurance that such agreements will be able to be renegotiated, or new supply agreements be entered into, on terms that are similar to the existing agreements, if at all. Furthermore, there can be no assurance as to the supply or price of gas or wood waste available on the open market or at the time of the expiry of the supply agreements. If at the time of the expiry of the supply agreements, the price of natural gas or wood waste, as applicable, available to the relevant facility is in excess of the price available under the current supply arrangements, this could have an adverse impact upon the business, operating results and financial condition of such facilities, which could, in turn, adversely affect the Fund's results and the Fund's ability to pay distributions on its Units. Furthermore, each of these facilities is also dependent on the supply of fuel to it. Any interruption in the supply of fuel (as a result of transportation or otherwise) or increases in fuel transportation costs, which is regulated by the Natural Energy Board in the case of natural gas, may result in a significant reduction in Distributable Cash.

A portion of the wood waste fuel requirements for each of the Biomass Facilities is obtained at spot prices from local suppliers. There can be no assurance as to the continued supply or the price of such fuel on the open market. Any increase in prices or shortages in availability of wood waste fuel currently purchased by the Biomass Facilities on the open market may also result in significant reduction in Distributable Cash.

Cardinal LP uses the Cardinal Gas Swap Agreements to mitigate the effect of gas price fluctuations on the net proceeds which Cardinal LP receives for natural gas sold in excess of the Cardinal Facility's requirements. These Cardinal Gas Swap Agreements could expose the Fund to losses which could occur under various circumstances, including the counterparty defaulting in respect of its obligations under the Cardinal Gas Swap Agreements, if the Cardinal Gas Swap Agreements provide an imperfect hedge or in the event that the Fund's swap policies and procedures are not followed.

The Fund's wind and water power facilities have no fuel costs but rely on the availability and constancy of wind and water resources, which could vary due to abnormal weather conditions. The Erie Shores Wind Farm may be affected by abnormal weather conditions or changing wind patterns. Similarly, the Waterpower Facilities may be significantly affected by hydrological conditions, such as low and high water flows within the watersheds on which the facilities are located.

Contract Performance

The amount of Distributable Cash available for distribution to Unitholders is highly dependent upon the parties to the various agreements relating to the Power Infrastructure Facilities fulfilling their contractual obligations, particularly OEFC under various PPAs, Husky Marketing under the Cardinal GPA and Millar Western under its wood waste supply agreement for the Whitecourt Facility. An inability or failure by any such party to meet its contractual commitments could have an adverse impact upon the business, operating results and financial condition of one or more of the Power Infrastructure Facilities, which could, in turn, adversely affect the Fund's results and the Fund's ability to pay distributions on its Units.

Default under Credit Agreements

The Fund and its subsidiaries have the following credit agreements in place relating to the Power Infrastructure Facilities: the Cardinal Credit Agreement (which expires in 2011), the Erie Shores Credit Agreement (which expires in 2026) and the CPOT Credit Agreement (which expires in 2010). These credit agreements contain a number of customary financial and other covenants. A failure by Cardinal LP, ESWFLP or CPOT to comply with their obligations under these credit agreements could result in a default, which, if not cured or waived, could result in the termination of distributions by the applicable facilities and permit acceleration of the relevant indebtedness. If the indebtedness under the credit agreements were to be accelerated, there could be no assurance that the assets of Cardinal LP, ESWFLP or CPOT would be sufficient to repay that indebtedness in full. There can be no assurance that Cardinal LP, ESWFLP or CPOT will generate sufficient cash flow from operations or that future distributions will be available in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

There can be no assurance that the Fund or its subsidiaries could refinance these credit agreements or obtain additional financing on commercially reasonable terms, if at all. Cardinal's and CPOT's credit agreement are, and future borrowings may be, at variable rates of interest, which exposes the Fund to the risk of increased interest rates. This factor may increase the sensitivity of Distributable Cash to interest rate variations.

Land Tenure and Related Rights

The Power Infrastructure Facilities have various land tenure and resource access rights upon which they depend for their operation. There can be no assurance that these rights will not be challenged, and, if challenged, whether such challenge will be successful. Furthermore, there can be no assurance that such rights will be able to be renegotiated or extended on commercially reasonable terms, if at all. At such time as any of these rights are successfully challenged or expire and cannot be renewed or renegotiated upon acceptable terms, the affected Power Infrastructure Facility will likely be unable to continue to operate. In addition, in these circumstances there can be no assurance that the Fund or its subsidiaries will have the necessary financial resources or will be able to obtain the necessary financial resources to fund or cause to be funded any required restoration and remediation works.

Regulatory Regime and Permits

The performance of the Power Infrastructure Facilities in part depends on a favourable regulatory climate. The regulatory regime in an applicable jurisdiction could be modified in a manner which adversely affects one or more of the Power Infrastructure Facilities, including increases in taxes and permit fees. The failure to obtain all necessary approvals, licences or permits, including renewals or modifications, could adversely affect the ability of the Power Infrastructure Facilities to operate. The failure to operate the Power Infrastructure Facilities in strict compliance with applicable regulations and standards may expose owners or operators of the Power Infrastructure Facilities to claims, costs or possible enforcement actions. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance. The Waterpower Facilities are highly regulated as water rights are generally owned by governments that reserve the right to control water levels. The Cardinal Facility and the Biomass Facilities are subject to government regulations, including environmental regulations and/or approvals relating to the operations, wood waste fuel supply and wood ash disposal and handling, as applicable. The Erie Shores Wind Farm is highly regulated, including regulations and/or approvals relating to birds, mammals and other animals, and to noise. Government regulations and incentives currently have a favourable impact on wind facilities in Canada. Should the current governmental incentives be modified, the Erie Shores Wind Farm may be adversely affected.

Risks Related to Social Infrastructure

Government Regulation and Funding

In Ontario, all LTC homes must be licenced under applicable provincial legislation. Such licences are currently for a term of one year, but are routinely renewed each year unless there is a concern or complaint about the home. Therefore, these licences do not represent any guarantee of continued operation beyond the one-year term of the licence. While LSCLP endeavours to ensure compliance with all regulatory requirements applicable to the

Leisureworld LTC Homes, it is not unusual for stringent inspection procedures to identify deficiencies in operations. Should this occur, it is possible that LSCLP may not be able to remedy such deficiencies within the time frames allowed, which could lead to the MOHLTC imposing sanctions (such as limiting admissions at the applicable LTC home), which could have an impact on the Leisureworld LTC business.

The provincial regulation of LTC homes includes the control of LTC fees. The MOHLTC also funds care, programs and support provided in LTC homes and subsidizes accommodation costs for qualifying residents. As a result of increasing health care costs, the risk exists that funding agencies may in the future reduce the level of, or eliminate, such fees, payments or subsidies. There can be no assurance that the current level of such fees, payments and subsidies will be continued or that such fees, payments and subsidies will increase commensurate with expenses. A reduction of such fees, payments or subsidies could have an impact on the Leisureworld LTC Business, operating results and financial condition, which could adversely affect the Fund's results and ability to pay distributions to Unitholders. In addition, future government initiatives could encourage the oversupply of LTC beds in the province, causing a sustained decrease in average occupancy in LTC homes, which could have an impact on the Leisureworld LTC Business.

The Long-Term Care Homes Act, which received Royal Assent on June 4, 2007 has not yet been proclaimed into force due to the number of regulations that must be drafted, a process that is expected to continue in 2009. The Long-Term Care Homes Act contains a number of new provisions that could impact the operations of the Leisureworld LTC Homes. Among the new provisions are proposed licence term limits that will apply to all LTC Homes according to class and which will result in licence term limits for the Leisureworld LTC Homes ranging from 15 years to 25 years. As well, the Long-Term Care Homes Act provides that licences can be revoked in cases of non-compliance. Although many of its provisions are already in place at the Leisureworld LTC Homes, the Long-Term Care Homes Act could have an impact on the Leisureworld LTC Business.

LTC Home Ownership and Operation

By investing indirectly in the Leisureworld LTC Business, the Fund is exposed to the general business risks inherent in the seniors' housing industry. These risks include fluctuations in levels of occupancy and the inability to achieve economic accommodation funding or residency fees (including anticipated increases in such fees). The inability to achieve such funding or fees could occur as a result of, among other factors, regulations controlling LTC funding; regulations controlling rents for the RHs and IL facilities; possible future changes in labour relations; increases in labour, other personnel costs, and other operating costs; competition from or oversupply of other similar properties; changes in conditions of the Leisureworld Homes or general economic conditions; and the imposition of increased or new taxes. These risks also include the effects of health-related risks and disease outbreaks. As such, there is no assurance that future occupancy rates at the Leisureworld Homes will be consistent with historical occupancy rates achieved and this could have an adverse impact upon the business, operating results, and financial condition of LSCLP, which could adversely affect the Fund's results and the Fund's ability to pay distributions on the Units.

Minority Interest in LSCLP

The Fund owns an indirect approximate 45% minority interest in LSCLP. As such, the Fund has restricted legal rights to influence the management of LSCLP, including those rights specified in the MLTCLP Partnership Agreement and the MLTCGP Shareholders Agreement (see "Material Contracts"). The remaining indirect approximate 55% interest in LSCLP is indirectly owned by Macquarie Group Limited, which the Fund understands has transferred the economic benefits of its ownership to MIIFL. Macquarie Group Limited or any future holders of its approximate 55% interest could have different objectives than those of the Fund with respect to LSCLP. As a result, the ability of LSCLP to generate cash and to pay distributions to the Fund could be adversely affected by certain actions of the indirect majority owner of LSCLP, which could adversely affect the Fund's results and the Fund's ability to pay distributions on its Units.

Default under LSCLP's 2015 Notes, Credit Facility and Counsel Acquisition Facility

A portion of LSCLP's cash flow is devoted to servicing its debt and there can be no assurance that LSCLP will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the 2015 Notes, the Counsel Acquisition Facility or drawings under its credit facility. If LSCLP were unable to meet such interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. If this were to occur, it could have an impact upon the business, operating results and financial condition of LSCLP which could adversely affect the Fund's results and the Fund's ability to pay distributions on its Units.

As well, the 2015 Notes, the Counsel Acquisition Facility and LSCLP's credit facility contain a number of customary financial and other covenants and a failure by LSCLP to comply with its obligations under these instruments could result in a default, which, if not cured or waived, could result in the termination of distributions by LSCLP and permit acceleration of the relevant indebtedness. Such a default could have an impact upon the business, operating results and financial condition of LSCLP, which could adversely affect the Fund's results and the Fund's ability to pay distributions on its Units.

Labour Relations and Cost

All of the employees working at the Leisureworld Homes are unionized with approximately 80% of employees represented by union locals of either the Service Employees International Union, the Ontario Nurses Association, the Christian Labour Association of Canada, the Canadian Union of Public Employees or the Canadian Auto Workers. While LSCLP has traditionally maintained positive labour relations, there can be no assurance that the Leisureworld Homes will not at any time, whether in connection with a renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on LSCLP's and the Fund's operating results and financial condition. However, all LTC homes in the Province of Ontario are governed by the *Hospital Labour Disputes Arbitration Act* (Ontario), which prohibits strikes and lockouts in the seniors' housing industry. Therefore, collective bargaining disputes are more likely to be resolved through compulsory third party arbitration.

The Leisureworld LTC Business is labour intensive, with labour-related costs comprising a substantial portion of LSCLP's direct operating expenses. The Leisureworld LTC Business competes with other health care providers with respect to attracting and retaining qualified personnel. A shortage of trained or other personnel may require LSCLP to enhance wage and benefits provided to employees in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, that they will be matched by corresponding increases in revenue. Wage increases in excess of increases that can be obtained from increases in rental or cost reimbursement could have an impact upon the business, operating results, and financial condition of LSCLP, which could adversely affect the Fund's results and the Fund's ability to pay distributions on its Units.

Risks Related to the Fund

Changes in Federal Tax Rules for Flow-Through Entities

SIFT Rules

On October 31, 2006, the Federal Department of Finance announced a Tax Fairness Plan which, in part, proposed changes to the manner in which certain specified investment flow-through entities ("SIFTs"), which include certain publicly-listed Canadian income funds (such as the Fund), and the distributions from SIFTs are taxed under the Tax Act. On June 22, 2007, Bill C-52 which contained such proposals became law (the "SIFT Rules"). In general, the SIFT Rules apply a trust level tax on certain income earned and distributed by a SIFT trust (as defined for purposes of the SIFT Rules), and also treat distributions received by investors from such entities as dividends eligible for the enhanced gross-up and dividend tax credit rules.

The Fund is a SIFT trust (as defined by the SIFT Rules) and, as a result, both the Fund and its Unitholders will be subject to the SIFT Rules

There is a four-year transition period for an income trust (such as the Fund) that would have been a SIFT trust on October 31, 2006 had the SIFT Rules been in effect on that date and the SIFT Rules generally will not apply until 2011; however, if such SIFT trust issues new equity resulting in undue expansion in excess of the safe harbour limits (described below) allowed by guidelines (the "Guidelines") issued by the Federal Department of Finance on December 15, 2006, as revised, the SIFT Rules will begin to apply to the SIFT trust for its taxation year that includes that time. The Guidelines provide that the SIFT Rules will not apply prior to 2011 in respect of any SIFT that would otherwise have qualified for deferral whose equity capital grows as a result of issuances of new equity (which includes trust units, debt that is convertible into trust units and potentially other substitutes for such equity) in any year prior to 2011 by an amount that does not exceed the greater of $50 million and an objective "safe harbour" amount based on a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a SIFT's issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into units of the SIFT). Prior to the revision of the Guidelines on December 4, 2008, the safe harbour percentages of the October 31, 2006 benchmark were 40% for the period from November 1, 2006 to the end of 2007 and 20% for each of 2008, 2009 and 2010. The safe harbour amounts are cumulative. Pursuant to that revision of the Guidelines, the safe harbour amount for each of 2009 and 2010 is accelerated so that new equity may be raised at any time before 2011 equal to the balance of the October 31, 2006 benchmark. Based on discussions the Fund's external legal counsel had with an official of the Federal Department of Finance, the October 31, 2006 benchmark following a merger of two or more SIFTs, each of which was publicly-traded on October 31, 2006, is the combined market capitalization of those SIFTs as at the end of trading on October 31, 2006 (measured as described above).

The Guidelines contain exceptions from the safe harbour limits for mergers of two or more SIFTs, each of which was publicly-traded on October 31, 2006 and state that these mergers would not be considered undue expansion, to the extent that there is no net addition to equity as a result of the merger. On June 26, 2007, the Fund completed the CPIF Acquisition (see "General Development of the Business"). Each of CPIF and the Fund would be considered to be a SIFT trust whose units were publicly-traded on October 31, 2006. The Guidelines also state that replacing debt that was outstanding as of October 31, 2006 with new equity, whether through a conversion of convertible debentures or otherwise, would not be considered undue expansion for purposes of the Guidelines. In connection with the CPIF Acquisition, the Debentures became obligations of the Fund and are convertible into Units and CVRs. The Debentures were outstanding as of October 31, 2006. The Guidelines also provide that the issuance of new equity by a SIFT will not be relevant for determining undue expansion to the extent that such issuance of equity is made in satisfaction of the exercise by another person or partnership of a right to exchange a partnership interest or share of a corporation, which right was in place on October 31, 2006. The Class B Exchangeable Units were outstanding on October 31, 2006.

The issuance of Units pursuant to the CPIF Acquisition would have resulted in the Fund exceeding its safe harbour limit if the exceptions described above did not apply. Based on discussions the Fund's external counsel had with an official of the Federal Department of Finance, the Fund is of the view that the CPIF Acquisition should not be viewed by the Federal Department of Finance as undue expansion for purposes of the SIFT Rules and that the SIFT Rules do not currently apply to the Fund. However, no assurance can be given that the issuance of the Units in connection with CPIF Acquisition would not be regarded as undue expansion with the result that the SIFT Rules would immediately apply to the Fund and Unitholders. If that were the case, the Fund would be subject to trust level tax on certain income earned and distributed by the Fund and certain distributions by the Fund would be required to be treated by Unitholders as dividends eligible for the enhanced gross-up and dividend tax credit rules, all with immediate effect.

The Fund anticipates that the SIFT Rules will, commencing on January 1, 2011, reduce the amount of cash available to the Fund to distribute to its Unitholders. A reduction in distributions as a result of the SIFT Rules could adversely affect the value of the Units. There can be no assurance that the Fund will be able to reorganize its legal and tax structure to reduce the expected impact of the SIFT Rules. In addition, there can be no assurance that the Fund will not, other than as described above, lose its "grandfathered" status under the SIFT Rules (as provided for in the Guidelines) before 2011. Loss of grandfathered status could have a material and adverse effect on the value of the Units.

Furthermore, no assurance can be given that Canadian federal income tax law respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the Fund and its Unitholders.

Other Tax-Related Risks

On October 31, 2003, the Department of Finance announced a tax proposal (the "October 31 Proposal") relating to the deductibility of losses under the Tax Act which is proposed to apply to taxation years beginning after 2004. Under the October 31 Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. On February 23, 2005, the Minister of Finance announced that an alternative proposal to replace the October 31 Proposal would be released at an early opportunity. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not directly or indirectly adversely affect the Fund with after-tax returns to Unitholders being reduced as a result.

The Tax Act currently provides that, in order for the Fund to qualify as a mutual fund trust, it may not, at any time, reasonably be considered to be established or maintained primarily for the benefit of non-resident persons unless, at all times, all or substantially all of the property is property other than "taxable Canadian property" within the meaning of the Tax Act. If certain tax proposals, released on September 16, 2004 (the "September 16 Proposals") are enacted as proposed, the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time, the fair market value of all Units held by non-residents or partnerships which are not "Canadian partnerships" for the purpose of the Tax Act is more than 50% of the fair market value of all issued and outstanding Units, unless no more than 10% (based on fair market value) of the Fund's property is at any time taxable Canadian property and certain other types of specified property. These proposals did not provide for any means of rectifying the loss of mutual fund trust status. On December 6, 2004, the Minister of Finance suspended implementation of the September 16 Proposals pending further discussion with the private sector. Included in Bill C-52, which received Royal Assent on June 22, 2007, was an amendment to the then current provision such that a trust will be deemed not to be a mutual fund trust after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the September 16 Proposals.

There can also be no assurance that income tax laws and the tax treatment of "mutual fund trusts" will not be changed in a manner which adversely affects Unitholders. In addition, adverse tax consequences may arise to Unitholders and to the Fund in the event that the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, including potential liability for Part XII.2 taxes under the Tax Act.

Variability of Distributions

The actual amount of cash distributions to Unitholders will depend on numerous factors, including the financial performance of the Fund's investments, ability to meet debt covenants and obligations, working capital requirements, future capital requirements and tax-related matters. As well, the establishment of reserves for expenses could adversely affect cash distributions. The market value of the Units may deteriorate if the Fund is unable to maintain its cash distribution levels in the future, and that deterioration may be material.

Geographic Concentration and Non-Diversification

The Cardinal Facility, the Erie Shores Wind Farm, the Dryden Facility and the Wawatay Facility, which together contributed in 2008 in excess of 69% of the Distributable Cash generated by the Fund (with the Cardinal Facility contributing approximately 52% of the Distributable Cash generated by the Fund in 2008), are all located in the Province of Ontario. In addition, all of the business and operations of LSCLP are currently conducted in the Province of Ontario. If the Ontario market was to generally experience a severe decline in financial performance as a result of changes in local or regional economic conditions or an adverse change to the regulatory environment in Ontario, the market value of the Cardinal Facility and the other Power Infrastructure Facilities located in Ontario or the Leisureworld Homes, as applicable, the income generated from them and the overall financial performance of the Fund could be negatively affected.

Unitholder Liability

The Fund Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide Unitholders in those provinces with limited liability. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible.

Dependence on the Manager and Potential Conflicts of Interest

The Fund, MPIIT, Cardinal GP, LTC Holding GP and CPOT are dependent upon the Manager, through the Administration Agreement and the Management Agreements, for management and administrative services relating to the Fund, MPIIT, Cardinal LP's business, LTC Holding LP's business and CPOT's business, respectively. The Manager, its Affiliates, its employees or its agents and other funds and vehicles managed by Affiliates of the Manager may be engaged or invest, directly or indirectly, in a variety of other companies or entities involved in owning, managing, advising on or being otherwise engaged in the Power Business or other infrastructure businesses. The Management Agreements, the Administration Agreement, the MPIIT Declaration of Trust, the CPOT Declaration of Trust and the Fund Declaration of Trust contain provisions respecting the procedures to be followed in the event of such conflict of interests. In certain circumstances, such conflicts may result in the Fund or its subsidiaries having to engage persons other than the Manager to provide acquisition and support services in respect of certain acquisitions or investments.

Insurance

The Fund and LSCLP maintain insurance coverage in respect of potential liabilities and the accidental loss of value of their assets from risks, in amounts, with such insurers and on such terms as the Trustees and the directors of Leisureworld Senior Care GP Inc., the general partner of LSCLP, consider appropriate, taking into account all relevant factors including the practices of owners of similar assets and operations. However, not all risk factors are covered by such insurance, and no assurance can be given that insurance will be consistently available or available on an economic basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Fund or LSCLP.

Environmental, Health and Safety

The Power Infrastructure Facilities and the Leisureworld Homes are subject to a complex and increasingly stringent environmental, health and safety regulatory regime, which includes Environmental, Health and Safety Laws. As such, the operation of these facilities carries an inherent risk of environmental, health and safety liabilities (including potential civil actions, compliance or remediation orders, fines and other penalties) and may result in the facilities being involved from time to time in administrative and judicial proceedings related to such matters, which could have a material adverse effect on the Fund's business, financial condition and results of operations and which could adversely affect the Fund's ability to pay distributions on the Units. Neither the Fund nor, to the Manager's knowledge, LSCLP have been notified of any such civil or regulatory action in regards to their operations. However, it is not possible to predict with certainty what position a regulatory authority may take regarding matters of non-compliance with Environmental, Health and Safety Laws. Changes in such laws, or more aggressive enforcement of existing laws, could lead to material increases in unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, capital expenditures, restrictions or delays in the facilities' activities, the extent of which cannot be predicted.

Unitholder Dilution

The Fund Declaration of Trust permits the issuance of an unlimited number of Units on such terms as the Trustees determine without the approval of Unitholders, who have no pre-emptive rights in connection with such issuances. In addition, the Fund is required to issue Units (and CVRs) upon conversion of the Debentures in accordance with their terms and the Fund may, in certain circumstances, determine to redeem outstanding Debentures for Units or to repay outstanding principal or interest amounts thereunder by issuing additional Units. Accordingly, holders of Units may suffer dilution.

Nature of Units

As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The Units represent a fractional interest in the Fund and do not represent a direct investment in the Power Infrastructure Facilities or the Leisureworld LTC Business and should not be viewed by investors as direct securities of Cardinal LP, CPOT or LTC Holding LP.

The Units are equity securities of the Fund. Although the Fund’s distribution policy is to make monthly distributions of its Distributable Cash to the extent amounts are received by the Fund, the Units are not traditional fixed income securities. A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that the Fund does not have a fixed obligation to make payments to Unitholders and does not promise to return the initial purchase price of a Unit on a certain date in the future. The Fund has the ability to reduce or suspend distributions if circumstances warrant. The Fund’s ability to consistently make distributions to Unitholders will fluctuate depending on the operations of the Power Infrastructure Facilities and the Leisureworld LTC Business. In addition, unlike interest payments or an interest-bearing debt security, the Fund’s cash distributions are composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax returns to Unitholders. Therefore, a Unitholder’s rate of return over a defined period may not be comparable to the rate of return on a fixed income security that provides a “return on capital” over the same period.

DISTRIBUTIONS

Distribution Policy

The Fund’s policy is to make distributions of its available cash, less estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions of Units, and any tax liability, to the maximum extent possible to the Unitholders. Cash distributions are payable to Unitholders of record on the last business day of each month for which a distribution is declared and are paid on or about the 15th day of the following month. The Fund may also make additional distributions in excess of monthly distributions during the year, as the Trustees may determine.

Any income of the Fund which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. To the extent that the Fund does not have sufficient available cash to make cash distributions, the Fund may issue additional Units to Unitholders in lieu of making such distribution in cash. Those additional Units will be issued under exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Monthly Distributions

The Fund is currently entirely dependent on the operations of the Power Infrastructure Facilities and its investment in LSCLP to generate Distributable Cash. In turn, the earnings and cash flows of the Power Infrastructure Facilities and LSCLP are affected by certain risks described elsewhere in this Annual Information Form (see “Risk Factors”).

The Fund makes monthly distributions to Unitholders of its Distributable Cash to the extent amounts are received by the Fund. Since October 2005, holders of Class B Exchangeable Units have received distributions from LTC Holding LP equivalent to those paid on the Units.

For the month ended May 31, 2004, the Fund distributed $0.08177 per Unit to Unitholders. For each of the months ended June 30, 2004 through to and including December 31, 2005, the Fund distributed $0.07917 per Unit. For each of the months ended January 31, 2006 through to and including July 31, 2006, the Fund distributed $0.08333 per Unit. For each of the months ended August 31, 2006 through to and including December 31, 2007, the Fund distributed $0.08583 per Unit. For each of the months ended January 31, 2008 through to and including February 27, 2009, the Fund distributed $0.08750 per Unit.

MARKET FOR SECURITIES

Units

The outstanding Units are listed on the Toronto Stock Exchange under the symbol MPT.UN. The following table sets forth the high and low sales prices per outstanding Unit and trading volumes for the outstanding Units on the Toronto Stock Exchange for the periods indicated:

	Price Per Unit		Trading Volume
	High	Low	
2008			
January	9.50	8.10	1,823,966
February	8.67	7.90	2,221,676
March	8.60	8.18	1,399,921
April	8.99	8.42	2,049,505
May	8.81	8.25	2,132,706
June	8.64	8.02	1,980,553
July	8.20	6.70	3,123,739
August	8.18	7.36	1,373,229
September	7.79	5.51	1,887,447
October	6.30	4.12	3,382,586
November	5.13	3.95	2,723,290
December	4.99	4.05	3,369,491
2009			
January	6.25	4.77	3,229,390
February	5.50	5.00	1,586,455

Debentures

The outstanding Debentures are listed on the Toronto Stock Exchange under the symbol MPT.DB. The following table sets forth the high and low sales prices per outstanding Debenture and trading volumes for the outstanding Debentures on the Toronto Stock Exchange for the periods indicated:

	Price Per Debenture		Trading Volume
	High	Low	
2008			
January	102.49	99.50	4,250
February	102.50	100.00	2,660
March	102.50	100.27	5,590
April	101.00	99.10	6,385
May	101.99	99.90	2,700
June	102.24	99.01	3,490
July	102.00	99.52	2,470
August	102.72	100.01	5,310
September	102.00	90.00	7,010
October	98.00	88.00	7,010
November	97.00	90.00	5,380
December	98.00	90.00	1,680
2009			
January	100.00	92.00	3,760
February	100.00	93.01	8,790

STABILITY RATING

The Fund has received a stability rating from S&P of SR-2 with a stable outlook.

According to S&P, an S&P stability rating is not a credit rating but reflects S&P's current opinion on the prospective relative stability of distributable cash flow generation on a scale running from SR-1 to SR-7. The stability rating scale is organized such that a rating of SR-1 signifies the highest level of distributable cash flow generation stability, while an entity rated SR-7 has a very low level of distributable cash flow generation stability. Issuers rated as SR-2 are considered by S&P to have a very high level of distributable cash flow generation stability.

A stability rating incorporates analyses of three aspects of the issuer: structure and governance; business risk profile; and financial risk profile, which includes distributable cash flow. Stability ratings on Canadian income funds use the distribution profile assessment, which considers an entity's distribution policy in the context of cash flow dynamics, and comments on the ability of the organization to maintain a given level of distributions. An S&P stability rating may also have an outlook, which indicates the expected short- to medium-term stability ratings trend. A stable, negative, positive, or developing outlook expresses how the rating might change if current trends continue over a one- to three-year horizon. In addition, 'StabilityWatch' indicates a special surveillance period.

On November 6, 2008, S&P affirmed the Fund's SR-2 stability rating and moderate distribution profile assessment.

A stability rating is not a recommendation to buy, sell or hold any security and may be subject to revision or withdrawal at any time by S&P.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units and the Debentures is Computershare Investor Services Inc. and the registers for each class of security are location at its principal office located in Toronto, Ontario.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Fund, except as otherwise disclosed elsewhere in this Annual Information Form, no Trustee or director or executive officer of the Manager, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the outstanding Units, and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Fund, or during 2009 (up to March 27, 2009) that has materially affected or is expected to materially affect the Fund.

INTEREST OF EXPERTS

The Fund's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated February 25, 2009, in respect of the Fund's consolidated financial statements with accompanying notes as at and for the years ended December 31, 2008 and 2007. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

LEGAL PROCEEDINGS

To the knowledge of the Fund, except as may be described elsewhere in this Annual Information Form, there are no material legal proceedings to which the Fund is a party or to which its property is subject and no such proceedings are contemplated.

MATERIAL CONTRACTS

Except for certain contracts entered into in the ordinary course business of the Fund and its subsidiaries, the following are the only contracts entered into by the Fund or its subsidiaries during 2008 (or prior to 2008 in the case of contracts that are still in effect) that are material to the Fund:

(a) the Administration Agreement (described under "Management of the Fund – Administration Agreement");
(b) the Cardinal Credit Agreement (described under "Narrative Description of the Business – Power Infrastructure – The Cardinal Facility – Cardinal Credit Agreement");
(c) the Cardinal LP Management Agreement (described under "Management of the Fund – Cardinal LP Management Agreement");
(d) the CPOT Credit Agreement;
(e) the CPOT Management Agreement (described under "Management of the Fund – CPOT Management Agreement");
(f) the CPOT Trust Indenture (described under "Description of the Fund – CPOT – CPOT Trust Indenture");
(g) the Debenture Indenture (described under "Description of the Fund – Convertible Debentures);
(h) the Erie Shores Credit Agreement (described under "Narrative Description of the Business – Power Infrastructure – Erie Shores Wind Farm – Erie Shores Credit Agreement");
(i) the Exchange Agreement (described under "Description of the Fund – Class B Exchangeable Units and Exchange Agreement");
(j) the Fund Declaration of Trust (described under "Description of the Fund" and elsewhere in this AIF);
(k) the LTC Holding LP Management Agreement (described under "Management of the Fund – LTC Holding LP Management Agreement");
(l) the MLTCLP Partnership Agreement and the MLTCGP Shareholders Agreement; and

(m) the MPIIT Declaration of Trust (described under "Description of the Fund – MPIIT – MPIIT Declaration of Trust").

General descriptions of the CPOT Credit Agreement, the MLTCLP Partnership Agreement and the MLTCGP Shareholders Agreement are set out below. Such descriptions are a summary only of certain provisions of the applicable agreements, which summary does not purport to be complete and is subject to and qualified in its entirety by the full text of the applicable agreements. Reference should be made to the relevant agreements for the full text of their respective provisions. A general description of the other material contracts listed above can be found elsewhere in this Annual Information Form.

Copies of all material contracts listed above have been filed with the securities regulatory authorities in each of the provinces and territories of Canada and can be obtained on the Internet by accessing SEDAR at www.sedar.com.

CPOT Credit Agreement

The CPOT Credit Agreement is comprised of (a) a $75 million revolving credit facility (the "CPOT Revolving Facility") and (b) a $75 million term credit facility (the "CPOT Term Facility"); both of which mature on June 27, 2010 and which are guaranteed by MPIIT and Whitecourt. The CPOT Revolving Facility is to be used to finance various requirements of CPOT. The CPOT Term Facility was used to refinance certain term debt of CPOT and CPIF. As at December 31, 2008, no amount had been advanced on the CPOT Revolving Facility and an aggregate of $75 million had been advanced under the CPOT Term Facility.

Advances under the CPOT Revolving Facility and the CPOT Term Facility are made in the form of either BAs, floating prime rate loans in Canadian dollars, floating base rate loans in U.S. dollars, or LIBOR (London Interbank Offered Rate) loans. Additionally, under the CPOT Revolving Facility, CPOT may borrow by way of a standby instrument (letters of credit and guarantees). BAs are discounted at CDOR (Canadian Deposit Offering Rate) and a stamping fee is payable based on the ratio of consolidated debt to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") of, among others, MPIIT, CPOT, Whitecourt, Cardinal LP and Cardinal GP (the "Restricted Group Members"). Standby instruments issued under the CPOT Revolving Facility require a fee based on the consolidated debt to consolidated EBITDA ratio and, in certain cases, a nominal fronting fee to the issuing bank. The CPOT Credit Agreement contains customary representations and warranties, positive and negative covenants (including limitations on debt, asset sales, liens, distributions and acquisitions, the ratio of consolidated debt to consolidated EBITDA and an interest coverage ratio) and events of default. In some instances the default provisions apply to all Restricted Group Members, in addition to CPOT.

MLTCLP Partnership Agreement

Macquarie Long Term Care LP ("MLTCLP") is a limited partnership through which the Fund and Macquarie Group Limited hold their respective interests in LSCLP. MLTCLP was created under the laws of the Province of Ontario pursuant to a limited partnership agreement dated as of October 18, 2005 (the "MLTCLP Partnership Agreement") and holds, directly or indirectly, the entire partnership interest of LSCLP.

The interests in MLTCLP are divided into and represented by an unlimited number of units ("MLTCLP Units") and are issued for such consideration and on such terms and conditions as may be determined by MLTCLP's general partner, Macquarie Long Term Care GP Inc. ("MLTCGP"). A holder of MLTCLP Units has the right to receive allocations of net income, net loss, taxable income and tax loss, the right to share in returns of capital, to share in cash and any other distributions to partners, to receive the remaining property of MLTCLP on dissolution or winding up, and the right to one vote per MLTCLP Unit at all meetings of the partners. The limited partners of MLTCLP are LTC Holding LP and Macquarie Leisureworld Holdings Ltd. ("MLHL"), a subsidiary of Macquarie Group Limited, which hold a respective 44.9955% and 54.9945% partnership interest in MLTCLP. The Fund understands that Macquarie Group Limited has transferred the economic benefits of its ownership interest in MLTCLP to MIIFL. MLTCGP holds a 0.01% partnership interest in MLTCLP. MLTCGP may be removed and may withdraw as general partner only with the unanimous consent of the limited partners.

The business of MLTCLP may be changed only with the approval of limited partners holding not less than 90% of the outstanding MLTCLP Units. If LTC Holding LP were to hold less than 10% of the MLTCLP Units and the objects of MLTCLP were changed to be inconsistent with the Fund's objects, LTC Holding LP might have to divest its interest in MLTCLP.

MLTCLP Units are transferable, subject to the right of first offer of each limited partner to acquire MLTCLP Units on a *pro rata* basis in accordance with the number of MLTCLP Units held by each non-transferring partner; provided, however, that no units may be transferred to a person who is not "resident in Canada" for the purposes of the Tax Act (see also "– MLTCGP Shareholders Agreement"). The right of first offer shall not apply in respect of transfers by a limited partner to its affiliates or by any Macquarie Entity (as defined in the MLTCLP Partnership Agreement) to another Macquarie Entity. A transferee of a MLTCLP Unit will become a limited partner and will be subject to the obligations and entitled to the rights of a limited partner under the MLTCLP Partnership Agreement only upon execution and delivery to MLTCLP of such documents as may be necessary or appropriate, in the opinion of MLTCGP, to reflect such person's admission to MLTCLP as a partner and to bind such person by the terms of the MLTCLP Partnership Agreement. Each limited partner has a right of first offer on any new issuances of MLTCLP Units on a *pro rata* basis in accordance with the number of MLTCLP Units held by such partner.

If the ultimate direct or indirect control of any limited partner changes, the other limited partners of MLTCLP will have the right to purchase all, but not less than all, of the MLTCLP Units beneficially owned by such limited partner on a *pro rata* basis in accordance with the number of MLTCLP Units held by each of the other limited partners; provided, however, that in such circumstances the price of the offered MLTCLP Units will be the fair market value of such units as at the end of the financial quarter of MLTCLP immediately preceding the financial quarter in which the notice of sale was given, as determined by a valuator appointed for such purpose by the parties. A change of control of LTC Holding LP is deemed to have occurred if the Fund ceases to be managed by the Manager or an affiliate of the Manager. This provision may have the effect of discouraging take-over bids or other acquisition transactions in respect of the Fund.

An exercise by the Fund of any of its rights to acquire MLTCLP Units will require funding and there can be no assurance that any such funding will be available or, if available, on terms that are acceptable to the Fund.

MLTCGP Shareholders Agreement

LTC Holding LP and MLHL, the entities through which the Fund and Macquarie Group Limited, respectively, hold their respective interests in LSCLP, entered into a shareholders' agreement dated October 18, 2005 (the "MLTCGP Shareholders Agreement"), governing their rights and obligations in relation to their respective 45% and 55% ownership interests in MLTCGP.

The business and operation of MLTCGP is governed by the MLTCGP Shareholders Agreement which provides that MLTCGP will act as the general partner of MLTCLP pursuant to the MLTCLP Partnership Agreement and carry on the business of MLTCLP with full power and authority to manage, control, administer, and operate the business and affairs of MLTCLP and be fully responsible for the overall direction and supervision of MLTCLP.

Each shareholder has a right of first offer on any issuances of shares of MLTCGP or in respect of any sales of shares of MLTCGP held by a shareholder on a *pro rata* basis in accordance with the number of shares held by such shareholder and in accordance with the provisions of the MLTCGP Shareholders Agreement, including receipt of all necessary regulatory approvals (including approval by the MOHLTC, if required). Except in respect of a transfer by a Macquarie Entity (as defined in the MLTCGP Shareholders Agreement) to another Macquarie Entity, no securityholder is permitted to transfer any shares of MLTCGP or MLTCLP Units unless, concurrently with such transfer, such securityholder transfers an equal percentage of such holder's interest in MLTCLP Units or shares of MLTCGP, as applicable, in accordance with both the MLTCGP Shareholders Agreement and the MLTCLP Partnership Agreement, as applicable (see also "– MLTCLP Partnership Agreement"). Subject to receipt of all required regulatory approvals (including approval by the MOHLTC, if required), any Macquarie Entity that is a shareholder may at any time freely effect a transfer to another Macquarie Entity and, in respect of such a transfer, the right of first offer of each shareholder shall not apply.

If the ultimate direct or indirect control of any shareholder changes, the other shareholders of MLTCGP will have the right to purchase all, but not less than all, of the MLTCGP shares beneficially owned by such shareholder on a *pro rata* basis in accordance with the number of MLTCGP shares held by each of the other shareholders; provided, however, that in such circumstances the price of the offered shares will be the fair market value of such shares as at the end of the financial quarter of MLTCGP immediately preceding the financial quarter in which the notice of sale was given, as determined by a valuator appointed for such purpose by the parties. A change of control of LTC Holding LP is deemed to have occurred if the Fund ceases to be managed by the Manager or an affiliate of the Manager. This provision may have the effect of discouraging take-over bids or other acquisition transactions in respect of the Fund.

An exercise by LTC Holding LP of its any of its rights to acquire shares of MLTCGP will require funding and there can be no assurance that any such funding will be available or, if available, on terms that are acceptable to the Fund.

The MLTCGP Shareholders Agreement provides that each shareholder holding a percentage interest in MLTCGP exceeding 16.67% is entitled to appoint one director for each such 16.67% interest; provided, however that there may not be more than six or fewer than two directors. Currently, there are four directors of MLTCGP, two which have been appointed by LTC Holding LP and two which have been appointed by MLHL.

Any material amendment to the MLTCGP Shareholders Agreement must be approved by a “super majority” of shareholders, which requires that the number of shares voted in favour of such amendment to be equal to or exceed 90% of the total number of shares owned by all shareholders. As well, certain actions by the board of directors of MLTCGP must be approved by a “special majority” of directors who represent at least 75% of the total number of shares owned by all shareholders.

In the event of a deadlock by the board of MLTCGP or in the event of a dispute between MLTCGP’s shareholders which cannot be resolved, the MLTCGP Shareholders Agreement provides that the matter is to be submitted to the senior officers of each party for resolution by way of a meeting or conference call. Failing resolution, a dispute may be submitted, with the consent of the parties, to binding arbitration.

ADDITIONAL INFORMATION

Additional information, including Trustees’ and officers’ remuneration and indebtedness, is contained in the Fund’s information circular dated March 24, 2009. Additional financial information is provided in the Fund’s 2008 Annual Report, which contains the Fund’s audited annual consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2008. Such documentation, along with the information incorporated herein by reference as well as additional information relating to the Fund may be found on SEDAR at www.sedar.com.

GLOSSARY

In this Annual Information Form, unless the context otherwise requires:

"2015 Notes" means $310 million 4.814% Series A Senior Secured Notes due November 24, 2015 issued by LSCLP on November 24, 2005.

"Acquired LTC Business" means the 19 LTC homes (representing 3,187 beds) and certain related businesses acquired by LSCLP from the LSCLP Vendors on October 18, 2005.

"Administration Agreement" means the agreement dated as of April 30, 2004 among the Fund, MPIIT and the Manager, as amended as of October 18, 2005, pursuant to which the Manager provides administrative services to the Fund and MPIIT.

"Affiliate" has the meaning ascribed thereto in the Fund Declaration of Trust.

"ASC" means the Alberta Securities Commission.

"Associate" has the meaning ascribed thereto in the *Securities Act* (Ontario).

"Audit Committee" means the Audit Committee of the Board of Trustees of the Fund.

"Balancing Pool" means the Alberta Balancing Pool created under the EU Act and corresponding regulations.

"Barrette" means the Barrette-Chapais Mill owned by Barrette-Chapais Ltée.

"BAs" means bankers' acceptances.

"BC Hydro" means British Columbia Hydro and Power Authority.

"BCUC" means the British Columbia Utilities Commission.

"Biomass Facilities" means the Chapais Facility and the Whitecourt Facility.

"BlueRidge" means BlueRidge Lumber (1981) Ltd.

"business day" means any day that is not a Saturday, Sunday or civic or statutory holiday in the Province of Ontario.

"Canfor" means Canadian Forest Products Ltd.

"Canfor Agreement" means the agreement dated April 1, 1995 among CPOT (as successor owner of the Sechelt Facility) and Canfor in respect of access to the Sechelt Facility.

"Canfor Road SRW" means the statutory right of way dated January 1, 2007 among CPOT (as successor owner of the Sechelt Facility) and Canfor in respect to access to the Sechelt Facility.

"Cardinal Credit Agreement" means the amended and restated credit agreement dated May 16, 2006, among Cardinal LP, Cardinal GP, MPIIT, TD Securities Inc. as lead arranger and bookmanager, and an Affiliate of TD Securities Inc. as administration agent and lender.

"Cardinal Energy Savings Agreement" means the energy savings agreement dated to be effective as of September 3, 1992 between CASCO and Cardinal LP.

"Cardinal Facility" means the 156 MW combined cogeneration plant fuelled by natural gas located in Cardinal, Ontario as well as the Cardinal Transmission Line.

"Cardinal Gas Mitigation Agreement" means the November 1, 1994 amendment to the Cardinal GPA, as amended January 31, 2009.

"Cardinal Gas Swap Agreements" means the three gas swap agreements dated January 10, 2008 between Cardinal LP and Macquarie Bank Limited, a gas swap agreement dated February 8, 2008 between Cardinal LP and Macquarie Bank Limited, and a gas swap agreement dated April 22, 2008 between Cardinal LP and Macquarie Bank Limited.

"Cardinal GP" means Cardinal Power Inc., the general partner of Cardinal LP.

"Cardinal GPA" means the gas purchase agreement made as of August 8, 1991 between Husky Oil Operations Ltd. and Cardinal LP and assigned by Husky Oil Operations Ltd. to Husky Marketing by an assignment and novation agreement dated as of December 15, 2001, as amended.

"Cardinal Lease" means the premises lease and facilities agreement dated to be effective as of September 3, 1992, entered into by Cardinal Investors, Inc., the then general partner of Cardinal LP, CASCO, and National Trust Company (as trustee for CASCO).

"Cardinal LP" means Cardinal Power of Canada, L.P., a limited partnership established under the laws of Delaware.

"Cardinal LP Management Agreement" means the management agreement dated as of April 30, 2004 among the Manager, the Fund, MPIIT and Cardinal LP.

"Cardinal PPA" means the PPA made on May 29, 1992 between Ontario Hydro (continued as OEFC) and Cardinal LP, as amended.

"Cardinal Credit Facility" means collectively the Cardinal Term Facility and the Cardinal Revolving Facility.

"Cardinal Revolving Facility" means the $15 million revolving credit facility provided to Cardinal LP pursuant to the Cardinal Credit Agreement.

"Cardinal Term Facility" means the $35 million non-revolving term facility provided to Cardinal LP pursuant to the Cardinal Credit Agreement.

"Cardinal Transmission Line" means the approximately 6.5 km long, 115 kV transmission line owned by Cardinal LP, which connects the Cardinal Facility with the Hydro One transmission grid.

"CASCO" means Canada Starch Operating Company Inc.

"CBSI Claim" means the claim for $5.9 million in respect of a lawsuit involving Corporate Building Services Inc. and MSHL.

"CCAA" means the *Companies' Creditors' Arrangement Act* (Canada).

"CEA" means The Canadian Electricity Association.

"Chantiers" means the Chantiers Chibougamau Mill owned by Les Chantiers de Chibougamau Ltée.

“Chapais Facility” means the 31 MW wood waste fired electricity-generating station located northwest of Québec City, Québec.

“Chapais O&M Agreement” means the agreement between Probyn Power and CHESEC dated March 1, 2001, pursuant to which the Chapais Facility is operated and managed.

“Chapais PPA” means the PPA dated March 30, 1992 between CHESEC (as successor owner of the Chapais Facility) and Hydro-Québec.

“Chapais PPA Escalator” means the adjustment to the base fee payable to Probyn Power pursuant to the Chapais O&M Agreement, upward or downward at the beginning of each contract year by a percentage equal to the rate of increase paid by Hydro-Québec for capacity pursuant to the Chapais PPA.

“CHEL” means Chapais Électrique Limitée, the general partner and one of the limited partners of CHESEC.

“CHEL Class B Shares” means the Class B preferred shares of CHEL.

“CHESEC” means the Chapais Énergie, Société en Commandite, a limited partnership.

“CHESEC Tranche A Senior Debt” means the aggregate outstanding principal amount of $7.1 million owed by CHESEC to CPOT Holdings Corp., which bears interest at a rate of 10.789% per annum, and is payable by monthly blended payments of principal and interest to fully repay the loan on the maturity date in December 2015.

“CHESEC Tranche B Senior Debt” means the aggregate outstanding principal amount of $3.6 million owed by CHESEC to CPOT Holdings Corp., which bears interest at a rate of 4.91% per annum, payable by semi-annual interest payments, with annual principal payments based on CHESEC’s free cash flow and which matures in December 2015.

“Class B Exchangeable Units” means Class B Exchangeable LP Units of LTC Holding LP.

“CO_2” means carbon dioxide.

“cogeneration” means the simultaneous production of electricity and thermal energy in the form of heat or steam from a single fuel source.

“Counsel Acquisition” means the acquisition by LSCLP on January 31, 2008 of a portfolio of seven Class C LTC homes, representing 1,127 beds, from a wholly-owned subsidiary of Counsel Corporation for approximately $67 million plus transaction and anticipated refurbishment costs.

“Counsel Acquisition Facility” means the $75 million loan established in connection with the Counsel Acquisition.

“CPIF” means Clean Power Income Fund, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a trust indenture made as of October 31, 2001 as amended and restated as of July 16, 2003, June 23, 2007 and June 26, 2007.

“CPIF Acquisition” means the take-over bid and related transactions on June 26, 2007 whereby the Fund acquired CPIF.

“CPIF Debenture Indenture” means the trust indenture between CPIF and Computershare Trust Company of Canada dated as of June 29, 2004.

"CPIF Offer" means the offer to purchase all of the outstanding CPIF Units made by the Fund to holders of CPIF Units, dated May 18, 2007.

"CPIF Offering Circular" means the take-over bid circular of the Fund dated May 18, 2007 forming part of the offer documents mailed by the Fund to holders of CPIF Units in connection with the CPIF Offer.

"CPIF Subsequent Acquisition Transaction" means the subsequent acquisition transaction described in the CPIF Offering Circular.

"CPIF Units" means trust units of CPIF.

"CPOT" means Clean Power Operating Trust, an unincorporated open-ended trust established under the laws of the Province of Ontario by the CPOT Trust Indenture.

"CPOT Credit Agreement" means the credit agreement dated June 27, 2007, as amended February 14, 2008, among CPOT, a Canadian chartered bank as administration agent and lender, another Canadian chartered bank as syndication agent and lender, and MPIIT and Whitecourt as guarantors, providing for a credit facility in the aggregate principal amount of $150 million.

"CPOT Distributable Cash" means the distributable cash used to calculate the incentive fee under the CPOT Management Agreement where distributable cash is defined as the aggregate amount of cash flows from operating activities and all cash from equity and debt investments of the Fund and its direct and indirect wholly-owned subsidiary entities on a consolidated basis less amounts used for the establishment and maintenance of reasonable reserves.

"CPOT Independent Trustee" means a CPOT Trustee that is independent of CPOT, as determined in accordance with section 1.4 of NI 52-110.

"CPOT Management Agreement" means the management agreement dated as of June 26, 2007 among the Fund, the Manager, CPOT and CPIF.

"CPOT Notes" means the notes issued by CPOT from time to time in accordance with the note indenture dated as of December 7, 2001 between CPOT and Computershare Investor Services Inc. (formerly, Computershare Trust Company of Canada), as trustee thereunder.

"CPOT Revolving Facility" means the revolving facility under the CPOT Credit Agreement.

"CPOT Term Facility" means the term facility under the CPOT Credit Agreement.

"CPOT Trust Indenture" means the a trust indenture made as of October 31, 2001, as amended and restated as of May 9, 2005 and as of June 26, 2007, pursuant to which CPOT was established.

"CPOT Trustees" means the trustees of CPOT.

"CPOT Unitholder" means a holder of CPOT Units.

"CPOT Units" means trust units of CPOT.

"CVR" means a contingency value receipt of the Fund as described under the heading "Description of the Fund – Contingency Value Receipts".

"DCR" means the direct customer rate established by OEFC from time to time.

"DCR escalator" means the cumulative percentage increase in the DCR since a specified point in time.

"Debenture Indenture" means the CPIF Debenture Indenture, as supplemented and amended by the Supplemental Debenture Indenture.

"Debenture Maturity Date" means the date on which the Debentures mature, being December 31, 2010.

"Debenture Trustee" means Computershare Trust Company of Canada, as trustee of the Debentures.

"Debentures" means the 6.75% convertible debentures of the Fund as described under the heading "Description of the Fund – Convertible Debentures".

"Distributable Cash" means all amounts received by the Fund (which may include amounts released from the Reserve Accounts) and the income, interest, dividends, return of capital or other amounts, if any, from other permitted investments held by the Fund, less amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units and amounts which the Manager and the Trustees may reasonably consider necessary for payment of any costs or expenses required for the operation of the Fund and reasonable reserves.

"Distributable Cash per Unit" means, for any given period, the Distributable Cash dividend by the weighted average of total Units issued and outstanding.

"Dryden Facility" means collectively the 1.25 MW Eagle River generating station, the 0.95 MW McKenzie Falls generating station and the 1.05 MW Wainwright generating station, each of which is located near Dryden, Ontario.

"Dryden PPA" means the PPA dated October 23, 1990 between CPOT (as successor owner) and OEFC (as successor power purchaser to Ontario Hydro), as amended.

"EBITDA" means earnings before interest, taxes, depreciation, and amortization and certain other adjustments as described in the CPOT Management Agreement.

"Environmental, Health and Safety Laws" means: (a) federal, provincial, municipal, and local laws; (b) regulations, by-laws, common law, licences, permits, and other approvals; (c) government directions and orders; and (d) government guidelines and policies and other requirements governing or relating to, among other things: (i) air emissions; (ii) taking of water and discharges into water; (iii) the storage, handling, use, transportation, and distribution of dangerous goods and hazardous and residual material (such as chemicals); (iv) the prevention of releases of hazardous materials into the environment; (v) the prevention, presence, and remediation of hazardous materials in soil and ground water, both on and off site; and (vi) workers health and safety issues.

"ERA" means the Electricity Restructuring Act, 2004 (Ontario).

"Erie Shores Credit Agreement" means the credit agreement dated as of June 28, 2005 among ESWFLP, Erie Shores Wind Farm General Partner Trust, Sun Life, as agent for the lenders named therein, and the lenders named therein.

"Erie Shores O&M Agreement" means the agreement between ESWFLP and GE Canada dated June 28, 2005, which was made pursuant to the Erie Shores Turbine Supply Agreement and under which GE Canada provides operations and maintenance services in respect of the Erie Shores Wind Farm.

"Erie Shores PPA" the Renewable Energy Supply Contract dated as of November 24, 2004 between ESWFLP and OEFC, as assigned by OEFC to the Ontario Power Authority on November 10, 2005.

"Erie Shores Turbine Supply Agreement" means the agreement between ESWFLP, GE and GE Canada dated March 15, 2005 pursuant to which GE and GE Canada supplied wind turbines to ESWFLP.

"Erie Shores Wind Farm" means the 99 MW windpower facility, located near Port Burwell, Ontario, consisting of 66 wind turbines, each with 1.5 MW (nameplate) capacity.

"ESRM Policy" means the updated environmental and social responsibility management policy adopt by the Fund in February 2007, which incorporates the Fund's OH&S policy.

"ESWFLP" means Erie Shores Wind Farm Limited Partnership, the owner of the Erie Shores Wind Farm.

"EU Act" means the *Electric Utilities Act* (Alberta).

"Exchange Agreement" means the exchange agreement dated October 18, 2005 among the Fund, MPIIT, LTC Holding LP, the LSCLP Vendors.

"Exchange Notes" means notes of a wholly-owned subsidiary to be established by the Fund.

"Food Component" means the raw food component of the accommodation envelope funded by the MOHLTC which is set aside to cover raw food ingredients.

"Fund" means the Macquarie Power & Infrastructure Income Fund, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario.

"Fund Acquisition and Investment Guidelines" means the acquisition and investment guidelines of the Fund as stipulated in the Fund Declaration of Trust.

"Fund Declaration of Trust" means the declaration of trust dated March 15, 2004, as amended and restated as of April 16, 2004 and as further amended effective February 21, 2006, pursuant to which the Fund was established.

"GE" means General Electric Company.

"GE Canada" means General Electric Canada.

"GHG" means greenhouse gas.

"Good Samaritan Acquisition" means the proposed acquisition, pursuant to an agreement dated January 31, 2008, of the Good Samaritan Seniors Complex, consisting of a 64 bed Class New LTC home and an attached 24 bed RH, located in Alliston, Ontario for approximately $11.1 million plus transaction costs, conditional upon regulatory approval from the MOHLTC, which proposed acquisition was terminated on March 16, 2009, being the outside date for the closing of the proposed acquisition, as the MOHLTC approval had not been obtained.

"Governance Committee" means the Governance Committee of the Board of Trustees of the Fund.

"GRS" means Gas Recovery Systems, LLC.

"Guidelines" means the guidelines issued by the Federal Department of Finance on December 15, 2006 with respect to permissible levels regarding the issuance by a SIFT of new equity for the purpose of determining the timing of the application of the SIFT Rules to certain SIFTs.

"HDPE Penstock" means a high-density polyethylene penstock.

"Hluey Lakes Facility" means the three MW waterpower generating station located in the Dease Lake area in northwestern British Columbia.

“Hluey Lakes PPA” means the PPA between CPOT (as successor owner of the Hluey Lakes Facility) and BC Hydro dated November 1, 1993, as amended, pursuant to which BC Hydro is obligated to purchase all energy required to meet the load demand of Dease Lake from the Hluey Lakes Facility until January 31, 2020, subject to other terms of the agreement.

“Husky Marketing” means Husky Energy Marketing Inc.

“Hydro One” means Hydro One Networks Inc.

“IESO Market Rules” means the rules made and enforced by the IESO that govern the IESO-controlled grid and that establish and govern the IESO-administered markets relating to electricity and ancillary services in Ontario.

“IESO” means the Independent Electricity System Operator in Ontario.

“IL” means independent living.

“IPP” means an Independent Power Producer.

“Initial Public Offering” means the offering of 21,168,977 Units issued and sold by the Fund pursuant to the Fund’s April 19, 2004 prospectus.

“kilovolt” or **“kV”** means 1,000 volts.

“kWh” means an hour during which one kilowatt of electrical power has been continuously produced.

“Leisureworld Homes” means collectively, the Leisureworld LTC Homes and the two RHs and one IL facility owned and operated by LSCLP in the Province of Ontario forming part of the Leisureworld LTC Business.

“Leisureworld LTC Business” means the LTC, RH, IL and related businesses of LSCLP.

“Leisureworld LTC Homes” means 26 LTC homes currently forming part of the Leisureworld LTC Business, comprising 4,314 beds in Ontario.

“LHIN” means a Local Health Integration Network under the LHSI Act.

“LHSI Act” means the *Local Health System Integration Act*, *2006* (Ontario).

“LIBOR” means the London Interbank Offered Rate.

“Long-Term Care Homes Act” means the *Long-Term Care Homes Act, 2007* (Ontario).

“LSCLP” means Leisureworld Senior Care LP.

“LSCLP Vendors” means MSHL, LWC, and OLTCI, being those vendors of the Acquired LTC Business to whom Class B Exchangeable Units of LTC Holding LP were issued.

“LTC” means long-term care.

“LTC Holding GP” means MPT LTC Holding Ltd.

“LTC Holding LP” means MPT LTC Holding LP.

"LTC Holding LP Management Agreement" means the management agreement dated as of October 18, 2005 among the Fund, the Manager, LTC Holding LP and MPIIT.

"LWC" means LECR Inc. (formerly, Leisureworld Creemore Inc.).

"Macquarie group" means Macquarie Group Limited and all direct or indirect subsidiaries or affiliates of Macquarie Group Limited, all funds (or similar vehicles) that any such subsidiary or affiliate of Macquarie Group Limited manages and all direct and indirect subsidiaries of such funds (or similar vehicles).

"Management Agreements" means collectively, the Cardinal LP Management Agreement, the LTC Holding LP Management Agreement and the CPOT Management Agreement.

"Manager" means Macquarie Power Management Ltd.

"MEAP" means Macquarie Essential Assets Partnership.

"MIIFL" means Macquarie International Infrastructure Fund Limited, a Singapore-listed infrastructure fund managed by an indirect subsidiary of Macquarie Group Limited, to which Macquarie Group Limited's approximate 55% indirect ownership in LSCLP has been transferred.

"Millar Western" means collectively, Millar Western Industries Ltd. and Millar Western Pulp Ltd.

"Minimum Volume" means the minimum volumes of gas that Cardinal LP is required to purchase pursuant to the Cardinal GPA.

"MLHL" means Macquarie Leisureworld Holdings Ltd.

"MLTCGP" means Macquarie Long Term Care GP Inc.

"MLTCGP Shareholders Agreement" means the unanimous shareholders' agreement dated October 18, 2005 between LTC Holding LP, MLHL, and MLTCGP which governs MLTCGP.

"MLTCLP" means Macquarie Long Term Care LP.

"MLTCLP Partnership Agreement" means the limited partnership agreement of MLTCLP dated October 18, 2005.

"MLTCLP Units" means limited partnership units of MLTCLP.

"MMBtu" means one million British thermal units, a standard unit of measurement used to calculate the energy content of natural gas.

"MNAL" means Macquarie North America Ltd.

"MOHLTC" means Ontario Ministry of Health and Long Term Care.

"MPIIT" means Macquarie Power & Infrastructure Income Trust.

"MPIIT Declaration of Trust" means the declaration of trust dated March 12, 2004, as amended and restated as of April 16, 2004, pursuant to which MPIIT was established.

"MPIIT Notes" means the notes issued by MPIIT from time to time in accordance with the note indenture dated as of April 30, 2004 between MPIIT and Computershare Investor Services Inc. (formerly Computershare Trust Company of Canada) as trustee thereunder.

“MPIIT Trustees” means the trustees of MPIIT.

“MPIIT Unit” means a trust unit of MPIIT.

“MPIIT Unitholder” means a holder of MPIIT Units.

“MSHL” means Markham Suites Hotel Limited (formerly, Leisureworld Inc.).

“MW” means 1,000 kilowatts.

“MWh” means an hour during which one MW of electrical power has been continuously produced.

“New EU Act” means the *Electric Utilities Act (2003)* (Alberta).

“NI 52-110” means Canadian Securities Administrators’ National Instrument 52-110 — *Audit Committees*.

“NOx” means oxides of nitrogen.

“NPC” means the nursing and personal care envelope that is funded by the MOHLTC.

“Nursing Homes Act” means the *Nursing Homes Act* (Ontario).

“OA” means the other accommodation component of the accommodation envelope funded by the MOHLTC which is set aside to expenses other than raw food ingredients.

“October 31 Proposal” means the tax proposal announced by the Department of Finance on October 31, 2003 relating to the deductibility of losses under the Tax Act.

“OEB Act” means the *Ontario Energy Board Act, 1998*.

“OEFC” means Ontario Electricity Financial Corporation.

“OH&S” means occupational health and safety.

“OLTCI” means OLTCP Inc. (formerly, Ontario Long Term Care Providers Inc.).

“On-peak Hours” means 7:00 a.m. to 11:00 p.m. local time at the Cardinal Facility on weekdays, excluding public holidays.

“OPA” means the Ontario Power Authority.

“OPG” means Ontario Power Generation.

“Other Securities” means rights, warrants, and options to acquire Units or securities convertible into or exchangeable for Units.

“PEET” means PEET U.S. Holdings Inc.

“Pic River FN” means the Ojibways of the Pic River First Nation.

“Power Business” means the business of owning, operating, and leasing assets and property in connection with the generation, production, transmission, distribution, and purchase and sale of electricity and other forms of energy-related projects in Canada and the U.S. and engaging in all activities ancillary or incidental thereto.

"Power Infrastructure Facilities" means collectively, the Biomass Facilities, the Cardinal Facility, the Erie Shores Wind Farm and the Waterpower Facilities.

"Power Pool" means the power pool created by the EU Act, through which all electrical power must be traded in Albert, subject to certain exceptions.

"PPA" means purchase power agreement.

"Probyn Power" means Probyn Power Services Inc.

"Proprietary" means Proprietary Industries Inc.

"PSS" means the programs and support services envelope that is funded by the MOHLTC.

"PWMI" means Probyn Whitecourt Management Inc.

"Redemption Price" means the price at which Units may be redeemed at the option of Unitholders in accordance with the Fund Declaration of Trust.

"Regional Power" means Regional Power Inc. and, unless the context otherwise requires, includes its predecessor corporations and certain of the predecessors in title to the Waterpower Facilities.

"Reserve Accounts" means collectively, a general reserve account, a capital expenditure reserve account and a major maintenance reserve account established by the Fund.

"Restricted Group Members" means with respect to the CPOT Credit Agreement, among others, the group of CPOT, MPIIT, Whitecourt, Cardinal GP and Cardinal LP.

"RH" means retirement home.

"S&P" means Standard & Poor's Inc., a division of The McGraw-Hill Companies, Inc.

"SCADA" means Supervisory Control and Data Acquisition.

"Sechelt Facility" means the 16 MW waterpower generating station located near Sechelt, British Columbia, approximately 70 kilometres northwest of Vancouver.

"Sechelt PPA" means the PPA dated August 31, 1990, in respect of the sale of power from the Sechelt Facility to BC Hydro, as amended.

"SEDAR" means the Canadian Securities Administrators' System for Electronic Document Analysis and Review.

"September 16 Proposals" means certain tax proposals, released on September 16, 2004, which if enacted as proposed, would under prescribed conditions result in the Fund ceasing to qualify as a mutual fund trust for purposes of the Tax Act.

"SIFT Rules" means the proposals with regard to the taxation of SIFTs and distributions from SIFTs contained in Bill C-52 which became law on June 22, 2007.

"SIFTs" means certain specified investment flow-through entities.

"Special Resolution" means a resolution passed by the affirmative votes of the holders of not less than two-thirds of the Units who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than two-thirds of the Units entitled to vote on such resolution.

"SPRDA" means the *Small Power Research and Development Act* (Alberta).

"Sun Life" means Sun Life Assurance Company of Canada.

"Supplemental Debenture Indenture" means the trust indenture between CPIF, the Fund and Computershare Trust Company of Canada dated as of June 26, 2007, supplementing and amending the CPIF Debenture Indenture.

"Target Quantities" means the quantities of energy predicted to be delivered under the Cardinal PPA, in respect of a given month, during the On-peak Hours.

"Tax Act" means the *Income Tax Act* (Canada), as amended.

"TNDC" means Tahltan Nation Development Corporation.

"TransAlta" means TransAlta Utilities Corp.

"Trustee" or **"Trustees"** means the trustees of the Fund or any one of them.

"TWh" means one million megawatts per hour.

"Unit" means a trust unit of the Fund.

"Unitholder" means a holder of Units.

"U.S. Wind Loan" mean the subordinated debt owed by Caithness Western Wind Holdings LLC to CPOT and which was prepaid on December 7, 2007 for total proceeds of US$22.0 million.

"Waterpower Facilities" means the Dryden Facility, the Hluey Lakes Facility, the Sechelt Facility and the Wawatay Facility.

"Waterpower O&M Agreement" means the agreement between Regional Power and CPOT dated November 14, 2001, pursuant to which Regional Power provides operations, maintenance and management services in respect of the Waterpower Facilities.

"Wawatay Amortization Period" means the first twenty years of the Wawatay PPA.

"Wawatay Facility" means the 13.5 MW waterpower generating station located on the Black River near Marathon, Ontario.

"Wawatay Guaranteed Payment" means with respect to the Wawatay Facility, a yearly amount (paid in monthly instalments) necessary to fully amortize and pay the Wawatay Loan over the Wawatay Amortization Period.

"Wawatay Loan" means the $20 million original aggregate principal amount term loan by the Fund (as successor lender) to CPOT (as successor borrower) secured by the Wawatay Facility which matures in July 2012 and bears an interest rate of 9.80% calculated and payable monthly.

"Wawatay Net Profits Interest" means the net profits interest the Pic River FN hold in the Wawatay Facility.

"Wawatay Performance Payment" means with respect to the Wawatay Facility, a monthly payment based upon the actual generation of power up to 120% of target generation, multiplied by the performance rate as set out in the Wawatay PPA.

"Wawatay PPA" means the PPA dated April 1, 1992 between CPOT (as successor owner of the Wawatay Facility) and OEFC (as successor power purchaser to Ontario Hydro), as amended.

"WCI" means the Western Climate Initiative, an organization that seeks to develop regional strategies to address climate change.

"WCI Program" means the WCI's regional cap-and-trade program.

"Whitecourt" means Whitecourt Power Corp, an indirect subsidiary of CPOT.

"Whitecourt Facility" means the 28 MW (gross capacity) wood waste fired electricity generating station located near Whitecourt, Alberta.

"Whitecourt O&M Agreement" means the agreement between PWMI and WPLP dated November 14, 2001, pursuant to which the Whitecourt Facility was operated and managed until the agreement was terminated in accordance with its terms by WPLP on January 5, 2009.

"Whitecourt PPA" means the PPA dated November 6, 1990 between WPLP (as successor owner of the Whitecourt Facility) and TransAlta.

"WPLP" means Whitecourt Power Limited Partnership, a limited partnership established under the laws of Alberta.

"WPPI" means the Wind Power Production Incentive, a Canadian federal government program providing incentive payments to producers of wind energy.

<u>SCHEDULE "A"</u>

<u>MACQUARIE POWER & INFRASTRUCTURE INCOME FUND</u>

<u>AUDIT COMMITTEE CHARTER</u>

The term "Fund" herein shall refer to Macquarie Power & Infrastructure Income Fund and the term "Board" shall refer to the Board of Trustees of the Fund. "Macquarie Power & Infrastructure Income Group" means, collectively, the Fund, Macquarie Power & Infrastructure Income Trust (the "Trust"), the general partner of any Fund asset or investment ("General Partner"), the limited partnership of any Fund asset or investment ("Limited Partnership") and Macquarie Power Management Ltd. (Canada) (the "Manager"). The term "Management" herein shall refer to senior management of the General Partner and the Manager.

PURPOSE

The Audit Committee (the "Committee") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to:

i) oversee the work of the Fund's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

ii) oversee the integrity of the Fund's financial statements and financial reporting process, including the audit process and the Fund's internal accounting controls and procedures and compliance with related legal and regulatory requirements;

iii) oversee the qualifications and independence of the external auditors;

iv) oversee the work of the Fund's financial management and external auditors in these areas; and

v) provide an open avenue of communication between the external auditors, the Board and Macquarie Power & Infrastructure Income Group, including the Board of Trustees of the Trust and management of the Manager, thus enabling information and points of view to be freely exchanged.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (i) to plan or conduct audits, (ii) to determine that the Fund's financial statements are complete and accurate and are in accordance with generally accepted accounting principles or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee and its Chair are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the fund and are specifically not accountable or responsible for the day to day operation or performance of such activities.

Management is responsible for the preparation, presentation and integrity of the Fund's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out an audit of the Fund's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

PROCEDURES, POWERS AND DUTIES

In addition to the procedures and powers set out in the resolution of the Board establishing this Committee, the Committee shall have the following procedures, powers and duties:

2. General

(a) *Composition* – The Committee shall be composed of a minimum of three members. Each member of the Committee shall be an "independent" trustee as defined in the Declaration of Trust of the Fund and none of the members shall have participated in the preparation of the financial statements of the Fund at any time over the past three years; provided that the fact that a trustee is also a trustee of the Trust or a director of the General Partner will not disqualify the trustee from being a member of the Committee so long as the trustee would otherwise be eligible to be a member of the Committee.

All members of the Committee must be "financially literate" (as that term is defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Fund's securities are listed for trading or if it is not so defined as that term is interpreted by the Board in its business judgement) or must become financially literate within a reasonable period of time after their appointment to the Committee.

(b) *Appointment and Replacement of Committee Members* - Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a trustee. The Board may fill vacancies on the Committee by appointing another trustee to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three trustees. Whenever there is a vacancy on a Committee, the remaining members may exercise all its power as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of unitholders after his or her appointment or until his or her successor shall be duly appointed and qualified.

(c) *Committee Chair* - The Chair of the Committee shall be designated by the full Board. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board.

(d) *Conflicts of Interest* - If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee the member's interest and shall not participate in consideration of the matter and shall not vote on the matter.

(e) *Compensation of Committee Members* - The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine. No member of the Committee shall receive from the Fund any compensation other than the fees to which he or she is entitled as a trustee, a member of a committee of the Board, a member of the Board of Trustees of the Trust or a committee thereof, or a member of the Board of Directors of the General Partner.

(f) *Separate Executive Meetings* - The Committee shall meet periodically with the Chief Financial Officer, the head of the internal audit function (if other than the Chief Financial Officer) and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. However, the Committee shall also meet periodically without Management present.

(g) *Meetings of the Committee* -

Procedures for Meetings - Subject to any applicable statutory or regulatory requirements and the Declaration of Trust of the Fund, the time at which and place where the meetings of a Committee shall be held and the calling of Committee meetings and the procedure in all things at such meetings shall be determined by the Committee.

Calling of Meetings – The Committee shall meet as often as it deems appropriate to discharge its responsibilities. Notice of the time and place of every meeting shall be given in writing, by any means of transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that produces a written copy, to each member of a Committee at least 24 hours prior to the time fixed for such meeting. However, a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. Whenever practicable, the agenda for the meeting and the meeting materials shall be provided to members before each Committee meeting in sufficient time to provide adequate opportunity for their review.

Quorum – A majority of members constitute a quorum for the transaction of Committee business.

Chair of Meetings - If the Chair of a Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting.

Secretary of Meeting - The Chair of the Committee shall designate a person who need not be a member of the Committee to act as secretary or, if the Chair of the Committee fails to designate such a person, the Corporate Secretary of the Manager shall be secretary of the Committee. The agenda of each Committee meeting will be prepared by the secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to each meeting.

Minutes – The secretary of the Committee shall prepare and maintain minutes of the proceedings of the Committee. Minutes shall be kept in minute books provided for that purpose. The minutes of Committee meetings shall accurately record the discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to all Committee members.

(h) *Professional Assistance* - The Committee may require the external auditors and internal auditors to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants as the Committee may reasonably determine to be necessary to carry out the Committee's duties at the Fund's expense in accordance with the procedures for retaining professional advisors as set out in the Fund's Corporate Governance Guidelines.

(i) *Reliance* - Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside Macquarie Power & Infrastructure Income Group from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by Management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Fund and Macquarie Power & Infrastructure Income Group.

(j) *Reporting to the Board* - The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

(k) *Powers of the Committee* -

Access - The Committee is entitled to full access to all books, records, facilities, and personnel of the Fund and Macquarie Power & Infrastructure Income Group, as related to the investment activities and affairs of the Fund. The Committee may require such officers, trustees and employees of the Fund and Macquarie Power & Infrastructure Income Group and others as it may see fit from time to time to provide any information about the Fund and Macquarie Power & Infrastructure Income Group it may deem appropriate and to attend and assist at meetings of the Committee.

Delegation - The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

Adoption of Policies and Procedures - The Committee may adopt policies and procedures for carrying out its responsibilities.

AUDIT RESPONSIBILITIES OF THE COMMITTEE

Selection and Oversight of the External Auditors and Independence Requirements

3. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the unitholders of the Fund and shall report directly to the Committee and the Committee shall so instruct the external auditors. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Fund to be proposed in the Fund's proxy circular for unitholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board. The Board is responsible for selecting the external auditor to be proposed in the Fund's proxy circular for unitholder approval and appointment.

4. The Committee shall approve in advance the terms of engagement and the compensation to be paid by the Fund to the external auditors with respect to the conduct of the annual audit.

5. The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

   (a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;

   (b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Fund and Macquarie Power & Infrastructure Income Group, on the one hand, and the external auditors and their affiliates on the other hand, and that it has remained independent for the full-year;

   (c) require that (i) both the lead audit partner and the partner responsible for performing a second review respecting the audit be rotated at least every five years and be subject to a five year time out and (ii) all other partners on the audit engagement team who provide more than 10 hours of audit, review or attest services with respect to the Fund's consolidated financial statements or who serve as the lead partner in connection with any audit or review related to financial statements of a subsidiary whose assets or revenues constitute at least 20% of the consolidated assets or revenues of the Fund be rotated at least every seven years and be subject to a two year time out;

(d) require that the audit partners and any audit firm employee on the audit of the Macquarie Power & Infrastructure Income Group are prohibited from being an officer of the Macquarie Power & Infrastructure Income Group;

(e) require that immediate family members of an audit partner or any audit firm employee on the audit of the Macquarie Power & Infrastructure Income Group are prohibited from being a director or in a senior audit facing role at the Macquarie Power & Infrastructure Income Group until lapse of a "cooling off" period of at least five years and, after the five years "cooling off" period, can have no continuing financial relationship with the audit firm. The five year "cooling off" period is measured from the time that the former audit firm partner or employee ceases to be on the engagement team of the Macquarie Power & Infrastructure Income Group;

(f) require that the audit firm engagement team in any given year cannot include a person who had been a former officer of the Macquarie Power & Infrastructure Income Group during that year; and

(g) require that officers of the Macquarie Power & Infrastructure Income Group are prohibited from receiving any remuneration from the audit firm;

(h) require that members of the audit team and firm are prohibited from having a business relationship with the Macquarie Power & Infrastructure Income Group or any officer of the Macquarie Power & Infrastructure Income Group unless the relationship is clearly insignificant to both parties;

(i) require that the audit firm, its partners, its employees on the audit of the Macquarie Power & Infrastructure Income Group and the immediate family members are prohibited from having loans or guarantees with the Macquarie Power & Infrastructure Income Group;

(j) require that the audit firm is prohibited from having a financial interest in any entity with an controlling interest in the Macquarie Power & Infrastructure Income Group;

(k) consider whether there should be a regular rotation of the external audit firm itself; and

(l) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

6. The Committee shall prohibit the external auditor and its subsidiaries from providing certain non-audit services to the Fund. This is to ensure the auditor does not assume the role of management, become an advocate for their own client, or audit their own professional expertise. All non-audit services to be provided to the Fund or any of its affiliates by the external auditors or any of their affiliates shall be subject to pre-approval by the Committee. The Committee may approve policies and procedures for the pre-approval of non-audit services to be rendered by the external auditors, which policies and procedures (i) shall include reasonable detail with respect to the services covered, (ii) shall require that the Committee be informed of each non-audit service and (iii) shall not include delegation of the Committee's responsibilities to Management.

7. The auditor will not normally provide the following services:

(a) Bookkeeping or other services relating to the accounting records or financial statements of the Macquarie Power & Infrastructure Income Group;

(b) Appraisal or valuation and fairness opinions;

(c) Taxation planning and consulting services;

(d) Financial information or information technology systems design and implementation;

(e) Internal audit outsourcing services;

(f) Management functions, including temporary staff assignments or human resource services, including recruitment of senior management;

(g) Legal or litigation support services;

(h) Broker or dealer, investment adviser or investment banking;

(i) Actuarial services.

Under this policy, any fee arrangement between the Macquarie Power & Infrastructure Income Group and the auditor must not contain any contingent or success fees element.

8. The Committee shall establish and monitor clear policies for the hiring by Macquarie Power & Infrastructure Income Group of partners, employees and former partners and employees of the external auditors.

9. The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require. Such reports shall include:

(a) a description of the external auditors' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and

(b) a report describing (i) all critical accounting policies and practices used in the preparation of the Fund's financial statements, (ii) all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors (iii) other material written communication between the external auditors and Management, such as any management letter or schedule of unadjusted differences; and (iv) disagreements between Management and/or the internal auditors and the external auditors regarding financial reporting.

10. The Committee is responsible for resolving disagreements between Management and the external auditors regarding financial reporting.

Oversight of Internal Audit Function

11. The Committee shall determine the appropriate internal audit function for the Fund and oversee its processes, reports and the terms of compensation for any individuals engaged in such function, if any.

Oversight and Monitoring of Audits

12. The Committee shall review with the external auditors and Management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon Management, any internal audit and general audit approach and scope of proposed audits of the financial statements of the Fund, the overall audit plans, the responsibilities of Management and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits.

13. The Committee shall meet periodically with the internal finance management staff to discuss the progress of their activities and any significant findings stemming from any internal audits and any difficulties or disputes that arise with Management and the adequacy of Management's responses in correcting audit-related deficiencies.

14. The Committee shall discuss with the external auditors any difficulties or disputes that arise with Management or any internal auditors during the course of the audit and the adequacy of Management's responses in correcting audit-related deficiencies.

15. The Committee shall review with Management the results and scope of any internal and all external audits.

16. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

17. The Committee shall, as it deems necessary, oversee, review and discuss with Management, the external auditors and any internal auditors:

    (a) the quality, appropriateness and acceptability of the Fund's accounting principles and practices used in its financial reporting, changes in the Fund's accounting principles or practices and the application of particular accounting principles and disclosure practices by Management to new transactions or events;

    (b) all significant financial reporting issues and judgments made in connection with the preparation of the Fund's financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by Management from an independent auditor with respect to the accounting treatment of a particular item;

    (c) disagreements between Management and the external auditors or any internal auditors regarding the application of any accounting principles or practices;

    (d) any material change to the Fund's auditing and accounting principles and practices as recommended by Management, the external auditors or any internal auditors or which may result from proposed changes to applicable generally accepted accounting principles;

    (e) the effect of regulatory and accounting initiatives on the Fund's financial statements and other financial disclosures;

    (f) any reserves, accruals, provisions, estimates or management programs and policies, including factors that affect asset and liability carrying values and the timing of revenue and expense recognition, that may have a material effect upon the financial statements of the Fund;

    (g) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of Macquarie

Power & Infrastructure Income Group and their impact on the reported financial results of the Fund;

(h) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Fund's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Fund's financial statements;

(i) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Fund's operations;

(j) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles; and

(k) Management's determination of goodwill impairment, if any, as required by applicable accounting standards.

18. The Committee will review and resolve disagreements between Management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls

19. The Committee shall, as it deems necessary, exercise oversight of, review and discuss with Management and the external auditors:

(a) the adequacy and effectiveness of the Fund's internal accounting and financial controls (including accounting and operational risk management controls) based on recommendations of Management and the external auditors for the improvement of accounting practices and internal controls;

(b) any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and

(c) Management's compliance with the Fund's processes, procedures and internal controls.

Communications with Others

20. The Committee shall establish and monitor procedures for the receipt and treatment of complaints received by the Fund regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with Management, the Board of Trustees of the Trust and senior finance officers of Macquarie Power & Infrastructure Income Group responsible for the internal audit function, these procedures and any significant complaints received.

Oversight and Monitoring of the Fund's Financial Disclosures

21. The Committee shall:

(a) review with the external auditors and Management and recommend to the Board for approval the audited financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements, the Fund's annual report, the financial information of the Fund contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Fund; and

(b) review with the external auditors and Management and approve each set of interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Fund containing or accompanying financial information of the Fund.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

22. Prior to their distribution and filing, the Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies. The Chair of the Committee may perform this review function, on behalf of the Committee, as is required. Such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and the Committee need not discuss in advance each instance in which the Fund gives earning guidance if it has reviewed and approved the Fund's policies and procedures with respect to such matters.

23. The Committee shall meet with Management to review and assess the process and systems in place for the review of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

24. As part of the process by which the Committee shall satisfy itself as to the reliability of public disclosure documents that contain audited and unaudited financial information, the Committee shall require each of the Chief Executive Officer and the Chief Financial Officer of the Manager to provide a certificate addressed to the Committee certifying in respect of each annual and quarterly report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws.

25. The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditors.

Oversight of Finance Matters

26. The Committee shall receive and review:

    (a) periodic reports on compliance with requirements regarding statutory deductions and remittances, the nature and extent of any non-compliance together with the reasons therefor and Management's plan and timetable to correct any deficiencies;

    (b) material policies and practices of Macquarie Power & Infrastructure Income Group respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of Macquarie Power & Infrastructure Income Group; and

    (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

27. The Committee shall meet periodically with Management to review and discuss the Fund's major financial risk exposures and the policy steps Management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.

28. The Committee shall meet periodically with the Corporate Secretary of the Manager to review issues arising out of compliance activities, as well as assess contingent legal and regulatory risks.

29. The Committee shall receive and review the financial statements and other financial information of members of Macquarie Power & Infrastructure Income Group and any auditor recommendations concerning such entities as they relate to the assets of the Fund.

Committee Reporting

30. As required by applicable laws or regulations or stock exchange requirements, the Committee shall review and approve the information required to be reported to unitholders and others in its Annual Information

Form, and for such purposes, each member of the Committee shall provide information respecting that member's education and experience that relate to his or her responsibilities as a Committee member.

Board, Committee and Breach Reporting

31. To assist the Committee in monitoring and reviewing (at least annually) the effectiveness of the operational risk management framework and compliance with key risk management policies, the Corporate Secretary will provide the following items to the Committee for its review:

    (a) Results of the Operational Risk Self Assessment ("ORSA") process via the ORSA matrix, including a summary of improvement actions completed and actions to be completed

    (b) A summary of policies and procedures established during the period

    (c) Results of due diligence carried out on external service providers, if any

    (d) Current Business Continuity Plan for the operations

    As necessary:

    (e) Any significant changes to the ORSA matrix, including external factors to be considered (such as major regulatory or industry developments)

    (f) Results of internal audit reviews or other independent reviews

    (g) Any significant operational risk incidents relating to the Fund, not already reported to the Board.

Additional Responsibilities

32. Each new member of the Committee shall receive such training as may be approved by the Chair of the Committee. Training should cover the requirements and obligations of audit committees, issues of accounting principles, auditing standards, risk management and ethical compliance. Each Committee member should attend refresher training annually.

33. The Committee should request and review a report from the Corporate Secretary of the Manager at least twice each year as to compliance with the Fund's prohibitions against any related party transactions between trustees, directors or employees and their families and the Fund or any of the Macquarie Power & Infrastructure Income Group entities.

34. The Committee shall review on an annual basis, insurance programs and policies relating to the Fund and its investments.

35. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

THE CHARTER

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually.

The Committee shall ensure that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements in the annual proxy circular or annual report of the Fund.